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PERFORMANCE OF IMPORT AND EXPORT TRADE FACILITATION THROUGH CUSTOMS PORTS

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE-CENTRAL BOARD OF EXCISE AND CUSTOMS)

PUBLIC ACCOUNTS COMMITTEE (2016-17)

SEVENTY FIFTH REPORT

SIXTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2108

SEVENTY-FIFTH REPORT

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MINISTRY OF FINANCE (DEPARTMENT OF REVENUE- CENTRAL BOARD OF EXCISE AND CUSTOMS)

Presented to Speaker, Lok Sabha on 29.4.17

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LOK SABHA SECRETARIAT
NEW DELHI

April, 2017/ Vaisakha, 1939 (Saka)

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V. Minutes of the Sitting of the Sub-Committee-III of Public Accounts Committee (2016-17) held on 26th September, 2016

VI. Minutes of the Sitting of the Sub-Committee-III of Public Accounts Committee (2016-17) held on 28th September, 2016

*to be appended at the time of printing

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2016-17)

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Prof. Richard Hay
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio[1]
10. Shri Janardan Singh Sigriwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhupender Yadav
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ajay Sancheti

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri S.C. Chaudhary - Joint Secretary
3. Shri T. Jayakumar - Director
4. Smt. Bharti S. Tuteja - Deputy Secretary
5. Shri Deepankar Kamble - Committee Officer

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[1] Elected *w.e.f.* 09.08.2016 *vice* Shri Vijay Goel, MP appointed as Minister of State *w.e.f.* 05.07.2016.

Composition of Sub-Committee-III (Direct & Indirect Taxes) of the Public Accounts Committee (2016-17)

Convenor:	1. Shri Nishikant Dubey
Alternate Convenor:	2. Shri Satyavrat Chaturvedi
Members:	3. Shri Shivkumar C. Udasi
	4. Prof. Richard Hay
	5. Shri Sukhendu Sekhar Roy
	6. Shri Ajay Sancheti

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2017-18)

Shri Mallikarjun Kharge - Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Subhash Chandra Baheria
4. Shri Prem Singh Chandumajra
5. Shri Nishikant Dubey
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Abhishek Singh
11. Prof. Ram Shanker
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhubaneswar Kalita
19. Shri Shantaram Naik
20. Shri Sukhendu Sekhar Roy
21. Shri Ajay Sancheti
22. Shri Bhupender Yadav

INTRODUCTION

I, the Chairperson, Public Accounts Committee, having been authorised by the Committee, do present this Seventy-fifth Report (Sixteenth Lok Sabha) on "PERFORMANCE OF IMPORT AND EXPORT TRADE FACILITATION THROUGH CUSTOMS PORTS" based on C&AG's Report No. 13 of 2015 relating to Ministry of Finance-Department of Revenue-Central Board of Excise and Customs.

2. The above-mentioned Report of the Comptroller & Auditor General of India was laid on the Table of the House on 5th May, 2015.

3. The Public Accounts Committee (2016-17) took up the subject for detailed examination and report. A Sub-Committee under the convenorship of Shri Nishikant Dubey, M.P. and a Member of PAC was allocated the subject for in-depth examination and report. The Sub-Committee took evidence of the representatives of the Ministry of Finance-Department of Revenue, Central Board of Excise and Customs (CBEC), Ministry of Commerce, Director General of Foreign Trade (DGFT), Ministry of Railways, Railway Board, Ministry of Shipping, Ministry of Road Transport and Highways, National Highways Authority of India (NHAI), Ministry of Textiles, Indian Ports Association (IPA), Jawaharlal Nehru Port Trust (JNPT) and private trade bodies such as Federation of Indian Chambers of Commerce and Industry (FICCI), Federation of Indian Export Organisations (FIEO) and Associated Chambers of Commerce and Industry of India (ASSOCHAM) on the subject at their sittings held on 20th, 26th September, 2016 and 7th, 26th October, 2016. Accordingly, a draft Report was prepared and the Sub-Committee and thereafter the PAC (2016-17) considered and adopted the same at their respective sittings held on 24th April, 2017. The minutes of the Sittings are appended to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

5. The Committee thank the Sub-Committee for taking oral evidence and obtaining information on the subject as well as finalizing and placing the draft Report before the Main Committee.

6. The Committee would also like to express their thanks to the representatives of the Ministry of Finance-Department of Revenue, Central Board of Excise and Customs (CBEC), Ministry of Commerce, Director General of Foreign Trade (DGFT), Ministry of Railways, Railway Board, Ministry of Shipping, Ministry of Road Transport and Highways, National Highways Authority of India (NHAI), Ministry of Textiles, Indian Ports Association (IPA), Jawaharlal Nehru Port Trust (JNPT) and private trade bodies such as Federation of Indian Chambers of Commerce and Industry (FICCI), Federation of Indian Export Organisations (FIEO) and Associated Chambers of Commerce and Industry of India (ASSOCHAM) for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India and the Committee Secretariat in preparation of the Report.

NEW DELHI;
24 April, 2017
04 Vaisakha, 1939 (*Saka*)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee

REPORT
PART-I

I. INTRODUCTORY

1. The Indian economy is one of the fastest growing economies among the emerging markets today. One important cause is the rapid growth in international trade. However, in order to sustain the current pace of export growth in a highly competitive global market, there is a need to reduce the associated costs. Trade Facilitation is aimed at ensuring the movement and clearance of goods across borders within the shortest time at the minimum cost. Reduction in idle time in any segment of the trading process would reduce transaction costs and would facilitate trade in general and enhance the price competitiveness of Indian goods in international market. Delays not only increase the cost of compliance but leads to impediments to efficient trading across borders like congestion at the ports. As a measure of trade promotion, trade facilitation has come to occupy a significant place in the multilateral discussions on trade in the recent past due to the importance given by the international community in liberalizing trade.

2. India has been part of the public discourse on trade facilitation since December 1996 when the World Trade Organization (WTO) Ministerial Conference was held in Singapore. Over the years, Government of India had taken initiatives to liberalize trade by simplifying and rationalizing the procedural complexities. Several steps taken during the last decades to facilitate trade are (i) simplification of rules and procedures, (ii) IT initiatives, like the Indian Customs Electronic Data Interchange System (ICES), launching of an electronic commerce portal Indian Customs and Excise Gateway (ICEGATE), Risk Management System (RMS), GrapeNet, an internet based electronic software systems developed by Agriculture & Processed Food Products Export Development Authority (APEDA), Special Economic Zones (SEZ) online, Director General of Foreign Trade-Electronic Data Interchange (DGFT-EDI), electronic bank realisation certificate (e-BRC) and Port Community System (PCS).

3. India's performance in terms of 'Trading Across Borders' is not encouraging and it ranks a distant 126 out of 189 countries, according to the World Bank Report for 2015. The number of documents required to import and export, the time taken and cost to import and export has more or less remained the same in the past 4 years in spite of the IT initiatives and various facilitation measures introduced by the Government.

4. Further, trade facilitation gained currency with the agreement by the member countries including India at the Bali Ministerial Conference of the WTO members in December 2013 in culmination of the discussion initiated in WTO Singapore Ministerial Conference in December 1996 This necessitates India making binding commitments on facilitating Customs and other border procedures which includes among others, publication and availability of information to members, providing for an advance ruling mechanism, an appeal and/or review mechanism, regulating the fees and charges other than duties, faster release and clearance of goods, border agency cooperation between the members, minimizing the incidence and complexity of import, export and transit formalities and to decrease and simplify document requirements.

5. Though India is already in the process of implementing several of these measures, a review of the existing facilitation measures is necessary to straighten out the short comings, for India to meet its obligations on trade facilitation. Effectively implementing these provisions and disciplines within an internationally agreed time frame may be much more challenging.

6. The issues involved had direct bearing on the competitiveness of the Indian producers, exporters and importers which impacted their product costing. Exports and other subsequent obligation/net foreign exchange earnings had casual linkages corresponding to the duties forgone while availing the custom duty remission/exemption schemes of Government of India. Import facilitation affected market access and domestic competition whereas Export facilitation affected productivity, tax revenue, growth etc.

7. The framework for trade facilitation involves reduction in transaction cost and time through:

I. integration of related stakeholders, regulators and infrastructure providers;

II. online clearance of exports and imports;

III. accreditation of entities;

IV. harmonization of tariff information; and

V. risk based internal controls and audit.

II. AUDIT REVIEW

8. The Performance Audit covered the various measures initiated by the Department of Commerce (DoC) and Department of Revenue (DoR) to streamline the Customs procedures in reducing the latencies and costs associated with trading across borders and in implementing the various trade facilitation measures. The main focus and thrust was on the implementation of the certain trade facilitation measures.

9. The Performance Audit examined the implementation of the trade facilitation measures communicated through Foreign Trade Policy, Circulars, Instructions, Public Notice and Minutes of meetings etc. by the DoC/DoR and by analyzing the data gathered for the period 2010-11 to 2013-14 from the various stake holders. A time release study was also conducted during the course of this Performance Audit by analyzing the overall time taken at the various stages in Customs and ports in the clearance of import and export consignments.

10. The Performance Audit has been conducted to gain an assurance that corresponding to the Foreign Trade Policy (FTP), 2009-14:

(i) the various Import and Export trade facilitation measures implemented by the Board had yielded the intended results;

(ii) the various stakeholders *viz.*, Port, Airport, Customs Dept, DoC, Bank and other organization work in a co-ordinated manner towards enhancing trade facilitation;

(iii) the mechanisms in place are effective in monitoring the implementation of the trade facilitation measures;

(iv) the Board's circulars/instructions have been effectively implemented and whether the targets set by the Board have been achieved; and

(v) there exists appropriate and effective mechanism for timely and effective redressal of grievances relating to facilitation.

11. Against this backdrop, the Public Accounts Committee (2015-16) selected the subject as reported in the C&AG's Report No. 13 of 2015 (Union Government-Department of Revenue-Indirect Taxes-Customs) for detailed examination and report. Subsequently, the subject was referred to the Sub-Committee on Direct & Indirect Taxes *i.e.*, Sub-Committee-III dealing with subjects on taxation. Subsequently, the Committee obtained background note and requisite replies and some other clarifications from the Ministries of Finance - Department of Revenue (MoF - DoR), Textiles (MoT), Railways (MoR), Shipping (MoS), Commerce & Industry - Department of Commerce (MoC&I - DoC), Road Transport & Highway (MoRT&H); from public sector undertaking, National Highway Authority of India (NHAI); and trade bodies, Federation of Indian Export Organizations (FIEO), Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Federation of Indian Chambers of Commerce and Industry (FICCI). However, due to paucity of time, the examination on the subject could not be completed during 2015-16. The subject was carried forward to the successor Committee *i.e.* PAC (2016-17) and subsequently, again was referred to the Sub-Committee-III on Direct & Indirect Taxes examining subjects relating to taxation. The Committee took oral evidence of the representatives of the MoF - DoR on 20.09.2016. The Committee also took oral evidence of the representatives of the MoT, MoR, and MoS on 26.09.2016. The Committee further took oral evidence of the representatives of the MoRT&H and NHAI on 07.10.2016. Lastly, the Committee took oral evidence of the representatives of the trade bodies like FIEO, ASSOCHAM and FICCI on 26.10.2016. From these oral evidences, the Committee obtained diverse information on the subject. Based on the information gathered, the Committee proceeded with examination of the relevant issues in detail as outlined in the succeeding paragraphs.

III. TRANSACTION COST OF TRADE FACILITATION

A. Gains Through Trade Facilitation

12. Due to poor facilitation the impact on the transaction cost has been estimated to the tune of ₹ 42,000 crore (US$ 6-7 billion) according to the Strategic Plan of Department of Commerce (2020). Another report by the Peterson Institute for International Economics (PIIE 2013) estimate that significant trade facilitation could increase global GDP by almost $1 trillion. This has been used in World Development Indicators which has been relied upon by Second Task Force on Transaction Costs.

13. The Director General Foreign Trade (DGFT), in their written submission to the Committee stated that poor infrastructure, high interest rates, high cost of power, lack of full automation in Departments dealing with trade are few important reasons that adversely impact trade. This has led to India's low ranking (126/189) in "Trading Across Border" parameter of "Doing Business" Report 2014 of the World Bank. However, no current estimates are available on impact of poor trade facilitation on the transaction cost. The target is to decrease the transaction cost for imports and exports. The aim of the Government is to be among the top 50 countries on the list complied each year by the World Bank in its report on doing business.

14. The data as per "Doing Business Report 2016 (DB16)" of the World Bank for the "Trading across borders" parameter comparing India with the country at Rank 50 and the country at Rank 1 is as follows:

Indicators for Trading Across Border parameters in DB16 report	**India (Rank 133)**	**Peru (Rank 50)**	**Singapore (Rank 1)**
Cost to export: Border Compliance (US$)	368	460	335
Cost to export: Documentary compliance (US$)	104	50	37
Cost to export: Border Compliance (US$)	556	583	220
Cost to export: Documentary Compliance (US$)	139	80	37

15. From the above, the Government has fixed time limits for various services for DGFT offices as specified in the Hand Book of Procedure 2015-20 prescribing the following time lines for disposal of the requests:

S.No.	Category of Application	Time Limit for Disposal (in working days)
i	IEC Number	2
ii	Advance Authorisation where input-output norms are notified or under paragraph 4.07 of HBP	3
iii	Fixation of input output norms	120
iv	Issuance of EPCG Authorisations	3
v	All Authorisations under Gem & Jewellery scheme	3
vi	Revalidation of Authorisation and extension of export obligation period by R.A	3
vii	Acceptance of BG/UT	3
viii	Redemption/EODC of Advance Authorisation/DFIA	15
ix	Redemption of EPFG Authorisation and release of BG/LUT	30
x	Issuance /renewal of status certificate	3
xi	Amendment of any category of Authorisation	3
xii	Miscellaneous	10
xiii	Refund of DBK/TED under deemed export	30
xiv	Fixation of Brand Rate for duty-drawback	30
xv	Schemes of Chapter 3	3

16. When the Committee enquired as to what efforts have been made to bring improvement in trade facilitation procedures, viz. appeal procedures; fees and charges formalities in documentation; formalities in automation; formalities in procedures; as well

as in governance and impartiality, the Department of Commerce replied that its attached offices like Directorate General of Foreign Trade (DGFT) function as a facilitator of exports and imports. Focus is on good governance, which depends on efficient, transparent and accountable delivery systems. The following are the major initiatives:

(i) Facility of Electronic Importer Exporter Code (e-IEC):

Obtaining IEC is mandatory for doing export/import from/to India. DGFT in February, 2015 has introduced facility of issuing e-IEC for which an application could be made online on DGFT website and Applicants can upload the documents and pay the required fee through Credit card and Net banking. Such applications are processed online by Regional Authority of DGFT which issues/emails a digitally signed e-IEC within 2 working days of receiving an application. DGFT is currently developing a system to automate the complete process and issue IEC after online validation of applicant firm's credentials through PAN data base of CBDT and DIN and CIN databases of MCA. The time lag between filing of an IEC application and issuance of IEC will be reduced to few minutes. The process would be online and automatic and will benefit all new firms wiling to export/import from India.

(ii) Reduction in the number of documents:

New FTP has brought about reduction in the number of documents required for export and import from 7 & 10 respectively to 3 each now. Documents required for export of goods from India are Bill of Lding/Airway Bill, Commercial Invoice cum Packing List and Shipping Bill/Bill of Export. The mandatory documents required for import of goods into India are Bill of Lading/Airway Bill, Commercial Invoice cum Packing List and Bill of Entry. The saving in terms of cost and time associated with t he dispensed documents would improve Ease of Doing Business in India.

(iii) Facility of Online filing of documents/applications and Paperless trade in 24x7 environment:

DGFT has put in place a robust EDI system for the purpose of export facilitation and good governance. Following are the major initiatives:

(a) Message Exchange with Community partners: DGFT has set up a secured EDI message exchange system for various documentation related activities including import and export authorizations established with other administrative departments, namely, Customs, Banks and EPCs. This has reduced the physical interface of exporters and importers with the Government Departments and is a significant measures in the direction of reduction of transaction cost. The endeavor of DGFT has been to enlarge the scope of EDI to achieve higher level of integration with partner departments. Customs,

Banks, Export Promotion Councils (EPCs) are major community partners of DGFT for message exchange. Details of messages being exchanged are as follows:

Message Exchange with Customs- (i) Importer Exporter Code Number; (ii)Authorizations/Scripts for DFIA, AA, EPCG; (iii) Shipping Bills for Duty Free Import Authorisation (DFIA), Advance Authorisation (AA), Export Promotion Capital Goods (EPCG), Merchandise Exports from India (MEIS).

Message Exchange with eBiz (https://www.ebiz.gov.in) (i) Application for Importer Exporter Code

(ii) Application for e-IEC

Message Exchange with Banks (i) Application Fee (ii) Electronic Bank Realisation Certificate (e-BRC) data

Message Exchange with EPCs- Registration cum Membership Certificate (RCMC) data.

(b) All the Regional Authorities (RA) of DGFT have been networked with high speed internet. The applications are received and processed electronically.

(c) DGFT has provided the facility of on line filing of applications for issuance of Importer Exporter Code and various authorizations/scrips. Applicants can sign applications with a digital signature and submit electronically to the concerned Regional Authority of DGFT. online filing has minimized the physical interface. A facility has been created to upload documents in Exporter/Importer Profile and there is no need to submit copies of permanent records/documents (e.g. IEC, Manufacturing license, RCMC, PAN etc.) repeatedly with each application, once uploaded. However, certain documents like Certificates issued by Chartered Accountants/Company Secretary/Cost Accountant etc. still have to be filed in physical form.

(d) DGFT is one of the first digital signature enabled organisation of the Government of India (GOI), which has introduced a higher level of Encrypted 2048 bit digital signature.

(e) Application fee can be paid online through debit/credit cards and electronic fund transfer from 53 Banks. No exporters can not only apply online for benefits under various schemes under Foreign Trade Policy but also make payment of the required application fee online, thus totally obviating the need to visit the offices of DGFT or banks for submission of applications. This facility would also make the field offices of DGFT paperless to a large extent and enable them to function in 24x7 environments, while saving extra expenditure on storage space. It would also ensure transfer of the fee amount into government account on T+1 working day, avoiding undue delay in deposit of bank drafts etc.

(f) Online system for expediting issuance of authorizations for dual use items (Special Chemicals, Organisms, materials, Equipment's and Technologies [SCOMET]) has been developed. It will be made operational soon.

(g) A Complaint Resolution System for Resolution of EDI related issues has been set up. It is being actively used by exporters. There is also an online system in place to resolve complaints received through public grievances portal of Department of Administrative Reforms & Public Grievances.

(h) The e-BRC (Electronic Bank Realization Certificate) project: Electronic Bank Realisation Certificate (eBRC) system allows electronic transmission of export related Foreign Exchange Realisation information from the respective Banks to the DGFT's server. DGFT operationalised eBRC project on June 5, 2012. The project has created an integrated platform for receipt, processing and subsequent use, of all Bank Realisation related information including information sharing with Government organisations, eBRC was made mandatory with effect from 17th August, 2012. So far more than 1.4 crore eBRCs have been caputred by this system. DGFT has signed MoUs with 12 state governments for sharing of eBRC data to facilitate refund of VAT by the state governments to exporters. Mou has also been signed with Enforcement Directorate.

(i) Mobile App: DGFT has developed a mobile application called "DGFT" which allows exporters/importers to access the foreign trade policy and other related documents in an easy-to-use searchable format. The trade community would be able to check the status of transmission of various authorisations and the shipping bills through the dynamic mobile app. The following information can be accessed through the Mobile Apps:

Minister's Speech, Foreign Trade Policy, Foreign Trade Procedures, Foreign Trade Policy Statement, Appendices and ANF of FTP, Know ITC (HS) code for a product, Know MEIS rate for a product, Application status, Check latest tweets, Download forms, appendices etc.

The Department of Revenue replied that Customs automation is an important part of overall trade facilitation measures. As regards automation, ICES 1.5 is the core internal automation system of Customs Department intended to provide automated customs clearance systems. Its outreach is constantly being increased to bring maximum number and remotest locations on the EDI Platform. At present 127 locations are already on EDI platform. More sites are being planned to migrate to ICES. Most of the activities related it customs clearance have already been automated and DoS has now undertaken the task to enhance the ease of doing business by reducing manual interface and reducing/replacing manual documentation by online verification of message exchanges with other partner regulatory agencies. Facilities like integration

with 'SEZ online', Plant Quarantine and FSSAI have already been launched. This will ensure trade facilitation by reducing cost of compliance, expediting clearance and will reduce interface with officers. Following measures have been taken to extend trade facilitation, to keep the citizens informed and to provide effective and efficient services:

i. Remote EDI Service for filing documents (BE/SB/IGM/EGM/CGM) - Almost 1.5 crores Customs documents are filed through RES services per annum. People do not need to go office for submission/filing of documents. They file all types of documents from anywhere in India for any port at any time.

ii. e-Payment Importer or exporter do not require to visit to bank for payment of any kind of Customs duty. They pay it from their premises and that to for multiple transactions in one stroke. More than 98% of customs duties are paid online through this gateway. 21 Banks are connected through this gateway.

iii. Real Time Document's tracking system: 360 Degree view has been provided to the trade and industry for all types of documents processed at Customs EDI System. It maintains Transparency and accountability.

iv. Online Messaging: Different types of data related to customs clearances are shared with ICD, Sea and Air Custodians through ICEGATE of Customs EDIT System.

v. Banks Connectivity: for customs duty payment and export incentives disbursement banks are connected through e-gateway and Safe File Transfer Protocols.

vi. Shipping Lines and Airlines: e-filing of facility of IGM, EGM is provided.

vi. Console Agents: Consoles are filed online by Console Agents.

vii. Query Reply: Query and reply are exchanged online

ix. Licesing Authority connectivity: DGFT receives SB data online and transmits licenses online for processing and uses.

x. Forex Management: RBI EDPMS is connected through SFTP to share export data and Foreign Exchange realisation related information.

xi. Daily Reports and Customs duty calculator: It provides relevant information to the users.

xii. 24x7 Helpdesk and application support: To provide effective uninterrupted services, toll free and e-mail services of help desk and application supports are provided round the clock.

xiii. Connectivity with Several Govt. Agencies: Other Government agencies like Ministry of Commerce, Ministry of Steel, Ministry of Shipping, Ministry of Finance (DGOV and Pr. CCA) Ministry of Railway, Ministry of Agriculture and FSSAI etc. are connected online with Customs EDI System for data sharing and business process.

xiv. Customs SEZ integration: Customs SEZ integration has since been completed.

xv. RMS: Risk Management System facilitates customs clearances based on risk parameters.

xvi. Self-Declaration: Customs provides self-Declaration system and facilitate accredited clients based on several parameters. Post Clearance Audit also facilitates clearance of goods.

An Indian Customs Single Window Project has begun with the establishment of an appropriate administrative structure in the form of an inter-ministerial Steering Group that is chaired by Member (Customs), CBEC, a Project Management Group in CBEC and Project Management Units in the Ministries. As an interim measure, the Board has implemented an electronic online message exchange between the Food Safety and Standards Authority of India (FSSAI) and the Department of Plant Protection, Quarantine and Storage (PQIS) with the Customs with effect from 1.4.2015 at JNPT (Nhavasheva), ICD, Tughlakabad and ICD, Patparganj. It has been decided that with effect from 1.4.2015 importers, exporters, customs brokers, shipping lines, airlines or their agents shall have the facility to use Digital Signature Certificate for filing Customs process documents viz. Bills of Entry, Shipping Bills, IGM (General Declaration and Cargo Declaration), EGM (General Declaration), CGM through Remote EDI System (RES). For the present, the facility of using digital signatures is optional for all users by the ACP importers are required to mandatorily file Bills of Entry with digital signature w.e.f. 1.5.2015. Department of Revenue has decided that in case an importer/exporter submits a commercial invoice cum packing list that contain all necessary data fields/information otherwise contained separately in these document, a separate packing list would not be insisted upon by Customs. However, the option to

do so is with the importer/exporter. As a result, the documents ordinarily required by the Customs stand reduced to only 3 viz. Bill or Entry or Shipping Bill, commercial invoice cum packing list and Bill of Lading or Airway Bill. On the legal side (for appeal etc), the Government has taken following measures for improvement in trade facilitation procedure.

(i) Keeping in view the spirit of National Litigation Policy, CBEC has issued instructions laying down threshold limit for filing Departmental Appeals as Rs. 25 lakh, Rs. 10 lakh and Rs. 5 lakh before Supreme Court, High Court and CESTAT respectively to reduce the number of appeals filed.

(ii) Scope of the Settlement Commission and Authority for Advance Rulings has been further expanded.

(iii) Montary limit of the cases heard and disposed by Single Memebr Benches of CESTAT has been enhanced from Rs. 10 lakhs to Rs. 50.

(iv) Establishemtn of six Additional Benches of CESTAT has been approved by the Government.

(v) Field formations are sensitized from Time to time for regular monitoring of litigation cases and also for taking various steps to improve legal side of indirect tax administration.

17. In this connection, Department of Revenue submitted that several measures for enhancing trade facilitation through simplified and automated procedures have been taken by Dopartment of Revenue in the recent past. These initiatives will have positive impact on reducing in cost of trade operations dwell time. While many measures are being taken to streamline and automate procedures, reduce documentation and cargo release time, the cost of trade operations also dependent upon charges imposed by other regulatory agencies and stakeholders in the logistics chain such as shipping lines, port operators, custodians transporters etc.

18. During oral evidence, the Revenue Secretary submitted as under:

> "I would like to briefly tell the Committee about the steps which I have already taken. In terms of five things, we have taken a lot of steps. First, in terms of simplification of procedure, second, in terms of reduction of documentation, the number of documents which are required for import

and export. Third, in terms of automation, improving our automation, fourth, in terms of better inter agency coordination because a lot of agencies are involved at the port and at the airport level. So, how to achieve them? We have done a lot of things. Fifth, of course, is the focus monitoring which is now taking place, not only at the level of port where there is a customer facilitation committee but also at the country level where I am heading one facilitation committee. Sir, if I give you some details of nine major steps we have taken in the last one year, the first and the foremost is that from 1st April, 2016, we have launched something called SWIFT Single Window Interface for Facilitating Trade. SWIFT is a single gateway for all the importers and exporters. We have introduced from 1st April, 2016 an integrated single declaration which combines nine different forms of six different agencies into one form. So, only one form has to be filed for import and export and these nine agencies are customs, FSSAI, plant quarantine, animal quarantine, Drug Controller, Wildlife Control Bureau and Textile Commissioner. These are the customer and six other agencies. So, this is something which we have done. We have also introduced integrated risk management system. So, instead of every agency picking up their sample for testing, we have asked them to give their risk parameters which are fed into the computer and we have a sample based on that and custom have authorised in some cases. In some cases, they are doing it themselves to also do the sample checking of the things. So, that is something which we are doing. SWIFT has been a major innovation. It has really been received very well. The second thing is that we have introduced filing of all documents online with digital signature and as of now, 97 per cent of import and export documents are filed online, only 3 per cent are coming manually now. Sir, in the Budget last year, we introduced for accredited customers of our department particularly importers. We have allowed them 15 days time for deferred duty payment because when the cargo comes, immediately the assessment etc takes time and duty calculation takes time. Till the duty is paid, the cargo is held up. So, we have said that such accredited clients can pay it within 15 days. So, we have allowed them to clear the cargo without the payment of duty. Then, the electronic delivery orders now are being sent not only to CFS station to shipping lines, to the port authority. So, we are having an electronic exchange of communication. In 19 sea ports and 17 air cargo complexes, we have introduced a 24X7 custom clearance. So, we are there 24X7 in 19 sea ports and 17 air cargo complexes. We have also signed that WTO facilitation agreement. It is a multilateral agreement. We have signed that agreement and as per the conditionality of that agreement, we have to give trade facilitation of a certain value, of a certain kind of a standard, so that standard we are trying to match with now with WTO Standard. The Committee, as I mentioned, custom clearance facilitation committee has been set up at every sea port and airport in addition to one at the country level in which I call a meeting of Commerce Ministry and all other Ministries. The

warehousing controls have been loosened because the warehousing is where the exporters keep their goods till they are exported. So, there was a physical control of warehouses. We had custom inspectors staying in the warehouses and keeping a check. Instead of that, we have moved on a bond. They will give a bond and after giving a bond, we only do the record base monitoring of the customs warehouses which are there. So, Sir, because of all these efforts which have taken place in the last one year, we have also got a very good result. The World Bank is publishing something Logistic Performance Index and that is considered as a bench mark for this matter. India has moved up. In 2014, we were at 54th position and we have moved up 19 positions and come to 35th position now in Logistic Performance Index. In terms of the customs, one of the items of Logistic Performance Index is the performance of custom. In custom, we have moved up 27 positions. We were 65 in terms of custom clearance as far as Logistic Performance Index is concerned. Now, we are 38, which means we have moved up 27 places in two years from 2014-16. This report is published for every two years. It has been a very significant improvement in the processes of custom department since then and we are all trying our best including the Commerce Ministry and other ministries to facilitate the exporters and importers."

19. Supplementing the Revenue Secretary, the CBEC Chairperson submitted as under:

" Sir, a mention has been made about delay in import clearances and not sufficient focus is being done on clearance of imports. If I may submit, we are very closely monitoring the import clearances because everything is on the EDI where we are able to capture the timestamps of each single process and we know exactly how much of time is taken in clearance of goods. As has been observed, the process involves filing of the bill of entries, assessment, then payment of duties and once duty is paid there is, in some cases, examination of goods after which the goods are removed. In the assessment we have a risk management system, which is currently in the region of 80 per cent, which means that the declarations are set to be risk free. So, the assessment is accepted in most of the cases, as declared by the importer, after which he has to pay the duty. We find that there is a delay in filing of the bill of entries despite the goods having come; we find delay in the payment of duty; and we find there is a delay in production of goods for examination in certain cases where the examination has to be done. So, in this process, the time taken by the Customs is a very, very small percentage. Currently, across the country, on a national average, the time taken by the Customs, in this entire process of around seven to eight days which is taken for clearance of goods, is 24 hours. This is the time taken by the Customs in the entire

process of clearance of the goods. So, we are focused on this. We are able to capture port-wise exactly the timestamps for clearance of goods. It is there on the website and visible for everybody. You have also raised an issue regarding refund. Refund is a matter of concern for us. SAD refunds have been observed by the C&AG in their report. We are closely monitoring that. But, yes, there are some concerns, which we are trying to address. You have mentioned about delay in export of containers because of other agencies. Sir, again, like the Revenue Secretary has mentioned in his introductory remarks, consequent to single window which is now for all imports, we are also moving to a single window scheme for all exports too. It means that all agencies will be able to give their clearance online which will help in the speedy clearance of export containers. There was a mention about the WTO Agreement, the border agency agreement. We are focusing a lot on coordinated border management. In fact, in several coasts the concept of integrated check-posts has come in where all the agencies sit under one roof to ensure that speedy clearances are given. We are also aware of the fact that we are surrounded by landlocked countries. We have to give them freedom of transit. There are various agreements under which we permit them freedom of transit. This is also part of the WTO ATF. You have also mentioned about the importers not particularly being happy about visits being made by the officers to the premises. Sir, when we give them a clearance without any examination of goods for these facilitated importers, there is a concept of on sight post-clearance audit. This is an internationally accepted concept where we do not do the examination of all the consignments or the documents at the time to import itself but do so afterwards. This is done after due intimation to the importer. So, he is aware of the fact that a visit will be made by the audit team. He is aware of the fact that we will be looking at these documents which is a pre-arranged sort of a meeting. So, there should not be any cause for a grievance. Again, Sir, the hon. Member has mentioned about the fact that LDCs are surrounding us and they take advantage perhaps of freedom of transit of goods which is permitted. Sir, this is a commitment which India has to give to all the landlocked countries. There is an agreement of trade and transit through which these goods move across the country to those respective countries. Wherever there are cases of such misuse, we do take action. A mention has been made by another hon. Member about the improvement in speedy clearance of containers. There has been an improvement in it. We do ensure that we monitor, as mentioned at the outset, each one of these transactions exactly how much time is taken. A mention was made about delay in allotment of berths. I may submit that this objection of Audit was with regard to delay in Cochin, where berth itself is allotted by the port trust. The Ministry had reacted to that. We come into the picture a little later after the berths are allotted by the port. A mention was also made about the need to attain international standards. We have tried it and we are conscious about the World Bank ranking which is an indicator but some

things have been done properly whereby we increased our rankings and we will constantly stride to do that. Sir, ICEGATE has broken in the past. The systems are stretched. They are a bit obsolete. We are in the process of revamping the entire infrastructure where we hope that delivery systems will be better. The number of documents which we handle both of import and export are substantial. There is a load. But again I say that it is closely monitored by my colleague, DG Systems to ensure that we address to any such breakage as early as we can."

20. The Secretary, Department of Commerce, during oral evidence, inter-alia submitted that India submitted its Instrument of Rectification on 22nd April, 2016 to WTO for Ease of Doing Business according to the Trade Facilitation Agreement as adopted by WTO.

21. The DGFT, supplemented by stating inter-alia as under:

"...there are 152 areas in category A as per the agreement, for which the Government has given its commitment for improvement. These are issues related to publication of data, disclosure, simplification of procedures, electronic payments, customs cooperation for which we have completed our commitment, issues of single window which is under implementation already but I think it has to be fine tuned and improved. There are also issues relating to advance ruling, temporary goods, inquiry points, which are under category B. For completion of the above, we need 5 years. This will require changes in the law and related procedures and rules. Law is essentially being the Customs Act which would perhaps require amendment in certain areas."

22. During the oral evidence held on 26.09.2016, the Shipping Secretary also submitted that:

"The key point here is that when we talk of ease of doing business, there are As regards Ease of Doing Business, one level of coordination which is the primary coordination that is done by the Customs Commissioner at the local headquarters where senior officers from the Ports, Railways and all other agencies which are involved, custom stations and so on, they are all represented. That is the first level of coordination. Apart from that, there are two Committees. One is an Apex Level Committee which is headed by the Revenue Secretary here which again looks at issues which are not resolved at the level of the Commissioner and the Cabinet Secretary has also formed a Committee headed by the Commerce Secretary to ensure that whatever issues are there, they are in a time bound manner attended to. The Shipping

Ministry along with Railways and others are all represented on these Committees. The primary role there is of the Department of Revenue. Realising that we must distribute the responsibilities we had asked two Joint Secretaries, one from our Ministry and one from the Revenue Ministry to work out individual responsibilities. FIO represents the exporters and we have actually asked FIO to be the monitor for this process so that whatever commitments are made, there is an outside monitor to look at what we are doing."

B. Analysis and Report on Transaction Cost

23. Transaction cost in international trade comprised (i) non-neutralised Taxes and duties, (ii) differential cost of credit at International and Domestic Rate, (iii) differential cost of tariff at International and Domestic Rate and ground level transaction cost due to delays and charges in Customs, Ports, issuance of license, Banks, refunds etc. Indirect costs to trade involved (a) additional costs incurred due to procedural delays, e.g. time for customs clearance and cargo handling. These costs are related to the market life of products, (b) lack of predictability in the application or interpretation of regulations and formalities and (c) lost business opportunities.

24. Foreign Trade Policy (FTP) 2004-09 announced in August 2004 had two basic objectives to double the percentage share of India's trade in the next five years and to generate employment. Towards achieving these objectives the major measurable taken in FTP was to simplify procedural complexities and reduction of the transaction cost.

25. In March 2005, a survey was commissioned by DoC through ASSOCHAM to study the impact of taxes and levies, infrastructure, foreign trade policy, inverted duty structure, sectoral policies and export related procedures on trade. The survey found that the average aggregate impact felt by exporters was 13.24 per cent of the freight on board (FOB) value of exports. A significant observation from the report was that the fiscals impacted exporters the most out of the three key components of export process, with incidence felt between 4.73-5.72 per cent *i.e.* around 5.22 per cent of the FOB value of exports. Infrastructure came second impacting the exporters, on an average in the range of 3.80-4.80 per cent *i.e.* around 4.30 percent of the FOB value of exports. Export procedures affected exporters to the tune of 3.72 per cent of the FOB value of

exports. The export/import data of the products were reported by analyzing their variance. Another study relied upon by DoC of FIEO calculated the incidence of cost disability to Indian exporters varying from 19 to 22 per cent on FOB value of exports. The report stated that there may be variations depending upon the product type, manufacturing processes, labour involvement, geographical location etc.

26. When enquired about FIEO's estimation of incidence of cost disability to exporters and ASSOCHAM's survey on the impact of taxes, infrastructure, FTP, procedures etc., it was submitted that reply from MoC&I was awaited.

27. During oral evidence, when enquired about the report given by FIEO and whether it was a complaint or a suggestion to the Ministry, the Secretary, Department of Commerce, inter-alia submitted as under:

> " Actually Sir, our entire work is focused on interface with the exporters and the stakeholders. Whether we are going to negotiate a trade agreement whether we are going to interact with a group say it is agro-processing sectors, we are going into a stakeholder consultation on a regular basis through DGFT. It is institutionalized, they hold regular at different locations the consultations, open house, they have at the regional level with their field officers as he said every week. I have a regular system by which I go to different State Governments along with the State Government, we meet with the exporters. What are their issues? What is in the State Governments scope? What is in our scope? We try to respond. FIEO is a participant in each and every one of the stakeholder consultations which we do so that the process of feeding back into policy, improving our systems and streamlining is institutionalized. The whole Foreign Trade Policy 2015 -2020 is based on the stakeholder consultation and the reforms recommended by the exporters. We are asking too much paper work. It takes very long. It has come from the fact that there have been complaints, there have been delays. So, we have tried to make end to end IT enabled access to all DGFT schemes and programmes."

28. A task force on 'Transaction Costs in Exports' was constituted in 2009 by MoC because FTP (2009-14), Outcome Budget of DoC continued to highlight transaction cost as a major concern and the World Development Indicators were not very encouraging. It was a survey based report and had not reflected on the performance of the 2005 report. The committee had made 44 recommendations pertaining to seven

ministries, out of which 32 recommendations were agreed upon. Out of the 32 recommendations, 21 recommendations were reported to have been implemented in the task force report published in 2011. The transaction cost was estimated at 8 to 10 per cent of the value of exports. This amounted to approximately ₹ 1,50,000 crore. Strategic Plan (2020), DoC envisaged strategic initiative of reducing transaction cost with suitable monitoring system put in place as a follow up of the recommendation of the 1st task force. The 2nd Task force on 'Reduction in Transaction Costs in Exports' was constituted in 2013 to examine and identify such difficulties that the exporters face and make actionable recommendation to reduce or eliminate them. The report was published in July 2014. A major departure in the approach of the Second Task force compared to the earlier task force was not to attempt any monetization of the gain from mitigation of the issues highlighted in the Report. It was a feedback survey based report. The report had stated 46 recommendations pertaining to nine ministries and seven separate recommendations relating to Land Border crossing and certain other miscellaneous issues.

29. The Department of Commerce, in their written submission to the Committee stated that a Task Force on Transaction Cost was constituted with a mandate to identify and suggest ways to achieve significant improvement in efficiency of export processes, provide recommendations to the Government and initiate a set of executable remedial measures towards reducing latencies and costs associated with trading across borders. The Task Force had a broad based composition with representatives of FICCI, FIEO & CII in addition to Government officials. As per World Bank 'Doing Business Report', the magnitude of Transaction Cost ranges between 7-10% of the total exports. This comprises of infrastructural as well as procedural inefficiencies. Accordingly, the addressable transaction cost is estimated to be around US$ 6-7 billion. First Task Force on Transaction Cost in Export identified 44 issues and submitted its report in January 2011. 33 (including 2 under implementation) issues were resolved. The Second Task Force on Transaction cost in Exports quoted from the Doing Business indicators by World Bank was constituted in June 2013 and its report was published in July, 2014. In

addition in case of 'paying taxes' the ranking in DB16 has reduced from 156 to 157 and in case 'Trading Across Border ' the DB16 rank has remained the same at 133.

30. The Committee wanted to know that 21 out of 32 recommendations of the Task Force on 'Transaction Costs in Exports' commissioned by MoC have been implemented when Audit found that all the 32 recommendations were yet to be implemented. The Committee desired to know when were these 32 recommendations implemented and what were the reasons for delay in implementing the recommendations, the DGFT and Ministry of Commerce and Industry informed that the Task Force on Transactions Costs in Exports had given 44 recommendations. At the time of the release of its report, 21 were implemented and two were to be implemented soon. The basis of showing implanted status was also mentioned in the report of the Task Force under chapter "Detailed write-up on the issues implemented" at pages 45 to 64. Since then a few more recommendations were wither implemented or action initiated by the concerned Ministry/Department for implementation. The remaining recommendations were either dropped or not agreed by the concerned Ministry/Department for implementation.

31. During oral evidence, the Committee noted that despite so many task forces had been created for trade facilitation, losses were registered in exim trade and enquired about bringing them down. The Secretary, Department of Commerce, submitted as under:

> "Sir, recently, all these issues that we have been monitoring by the Committee to facilitate trading across borders, we have substantially brought down the time taken export number of hours and that data we can share with the hon. Committee to see that what has been the improvements through this process. When I save fully two days for an exporter in the export of his goods, I am saving him time and I am saving his money. So, my effort has to always be to continuously keep improving. Every task force adopts various benchmarks and every parameters. All may not be exactly comparable. But my job is to see that I keep improving on what I have and that is what we are doing. If you see the ranking in most of the global rankings, in the last year, in the logistic index, we have gone up by about 16 ranks, in Ease of Doing Business, we have gone up by 17 ranks. So, there is a change. I think that we will have to keep on working on it. I cannot say that by so and so year, we will be at this level. I do not know how the movement of other countries will be but we will have to keep

bench marking ourselves against what we have achieved and to improve better than that."

32. Audit observed that FTP 2009-14 was extended beyond its tenure. FTP 2014-18 may take into account the requirements of the trade facilitation measures adopted by DoC and provide a framework to align all trade related policies.

33. The MoC&I submitted that a view was taken to announce the Five-Year Foreign Trade Policy after formation of the new government as the General elections of the Lok Sabha were due from 7 April to 12 May 2014. To provide continuity in policy environment, the FTP 2009-14 was extended till further orders vide notification no. 69 dated 19th February 2014. Foreign Trade Policy 2015-20 contains a comprehensive chapter on "Trade Facilitation & Ease of Doing Business". Thus, the trade facilitation measures have been adopted as policy matters in FTP. The reason given for extending FTP 2009-14 beyond its tenure was to act as continuation till the time new policy was announced on 1st April, 2015.

IV. GOVERNANCE, RISK AND COMPLIANCE

34. Implementation of trade facilitation measures, inter-alia, provide for creation of adequate capacity to implement TFA. Article 1-5 of the section 1 of the Agreement addresses transparency issues, Articles 6-11 is concerned with fees, charges and formalities for import, export and transit, and Articles 12 & 13 address institutional arrangements. Section II of TFA which contains special and differential treatment provisions for developing country like India. In order to build an efficient trade facilitation mechanism, DoC proposed a strategic plan, notified Foreign Trade Policy and prepared a results framework to simplify trade procedures and reduce transaction costs. Task forces on transaction cost were constituted to:

I. Meet all stakeholders needs;

II. Covering the trading process end to end;

III. Apply a single integrated System;

IV. Enable a holistic approach to governance; and

V. Have an assurance framework.

35. The Strategic plan envisaged a weighted strategic initiative to reduce transaction cost with a suitable monitoring system. The following were to be internally audited, monitored, evaluated and directed:

I. Outcome of the export promotion Scheme;

II. Impact of the various trade agreements;

III. Performance of the ICT for various information system *viz.* Customs, DGFT, SEZ etc.;

IV. Cost and impact of implementation of transaction cost reports; and

V. Internal audit of the procedures.

36. In order to achieve the objective of implementation of trade facilitating measures to improve trade environment for accelerating growth of exports, twenty five percent weight was attributed to reduce transaction costs with the success indicator or outcome limited to constitution of the task force on transaction cost. No specific performance requirements from other departments were envisaged. No specific evaluations, monitoring or directional output was prescribed in fulfillment of the departmental objectives.

37. Export promotion schemes were not audited by Directorate General of Export Promotion (DGEP), CBEC or Controller of Aid, Accounts and Audit, Department of Economic affairs. CCA, DoC also had not conducted any internal audit. Inspection Unit of DGFT had also not internally audited the same. However, DGFT has a post issue audit wing where licences/brand rates to the extent of 5 to 10 percent are audited. Impact of various trade agreements have not been internally audited or assessed since it was felt by DoC that exact impact of the trade agreements and their contribution

would emerge after these RTAs run their course of full implementation. Internal audit of none of the information systems had been conducted by DoC or DoR *viz.* ICES 1.5, ICEGATE, SEZonline, DGFT (EDI), RMS, DGOV etc.

38. DGFT, in January 2015, was of the opinion that study of the World Bank in their Doing Business Report (Ease of Doing Business) served the purpose to analyze the cost and impact of the transaction cost studies. DGFT further added that the achievements depended on the acceptance/preparedness of multiple Agencies/Departments/Ministries to implement recommendations of the task force. DoR highlighted that delay in clearances of imported/exported goods are mainly on account of port congestion, lack of timely response from other regulatory agencies who are still working in the manual mode.

39. The Department of Revenue, in their written submission, responded to the above mentioned that CBEC has set up a Customs Clearance Facilitation Committee (CCFC) at every major Customs seaport and airport, which is chaired by the Chief Commissioner of Customs/Commissioner of Customs concerned. Its membership includes the senior-most functionary of the Departments/Agencies/Stakeholder at the particular seaport/airport namely, (i) Food Safety Standards Authority of India/Port Health Officer (PHO), (ii) Plant Quarantine Authorities, (iii) Animal Quarantine Authorities, (iv) Drug Controller of India (CDSO), (v) Textile Committee, (vi) Port Trust/Airport Authority of India/Custodians, (vii) Wild Life Authorities, (viii) Railways/CONCOR, (ix) Pollution Control Board and (x) any other Department/Agency/stakeholder to be co-opted on need basis. The CCFC is required to meet once a week or more frequently, if needed, as per the following mandate:

(i) Ensuring and monitoring expeditious clearance of imported and export goods in accordance with the timeline specified by the parent Ministry/Department concerned;

(ii) Identifying and resolving bottlenecks, if any, in the clearance procedure of imported and export goods;

(iii) Initiating Time Release Studies for improvement in the clearance time of imported and export goods;

(iv) Having internal consultations to speed up the clearance process of imported and export goods and recommending best practices thereto for consideration of CBEC/Departments/Agencies concerned; and

(v) Resolving grievances of members of the trade and industry in regard to clearance process of imported and export goods.

40. DGFT submitted that it has taken several trade facilitation measures as reflected in the Foreign Trade Policy 2015-20. Recommendations of Task Force on Transaction Costs are being perused with concerned Ministries/Departments/Agencies. DGFT has also taken into account the Doing Business Report. All these initiatives are aimed at reducing transaction cost and time associated with India's export and import business. No doubt it will improve the trading environment but its pace depends only on the available infrastructure and preparedness of all stakeholders which may not be under any particular control. Persuasion is the only way. However, all efforts and regular monitoring will be ensure to achieve the objective. DGFT conducts internal security audit of its software before its commissioning and put into use for Message Exchange. DGFT has already taken note of the view of Audit that an assurance framework needs to be developed internally for concurrent audit of various information systems. Accordingly, action has been initiated in DGFT for placing the system of concurrent audit.

41. The Chief Controller of Accounts of DoC and the Principal Chief Controller of Accounts of DoR and its field formations have been largely conducting establishment audit and do not provide a control based assurance in line with their risk assessment.

Elekha, e-PAO and COMPACT have been deployed as ICT solutions for maintaining revenue and expenditure accounts. The PAO system suffered from several inadequacies in classification tax accounting and reconciliation between different information sets. It is evident that inter-ministerial co-ordinations may have to be augmented to bring multiple agencies together to accept the related task and prepare to achieve them in time bound manner. Specific cases of lapses in implementation of trade facilitation measures have been mentioned on the process of imports, exports, interpretation of extant provisions, internal control and infrastructure etc. both in EDI and manual environment.

42. The Department of Revenue stated that the issues relating to Chief Controller of Accounts, the risk based audit has been started by the Office of the Principal CCA to provide a control based assurance in the case of Duty Drawback Schemes of the CBEC, Department of Revenue. Looking at the encouraging results, the same is proposed to be extended under other schemes of CBEC, Department of Revenue during the present financial year reconciliation between different information sets, it is informed that Office of Principal CCA, CBEC is moving towards a Centralized Accounting Portal for reliable and timely accounting and reconciliation.

V. IMPLEMENTATION OF TRADE FACILITATION MEASURES

A. Key Performance Indicators

43. There is a good scope to improve efficiency in fees and charges and streamlining procedures. India's performance needs improvements in trade - infrastructure efficiency. The improvement has to be in terms of cost to export a container, number of documents needed for exports/imports. Additional documents are required depending upon claim of benefits for imports under the preferential agreements/FTA and for RBI.

44. Dwell time is the measure of the time elapsed from the time the cargo arrives in the port to the time the goods leave the port premises after all permits and clearances have been obtained. It is an important indicator of the impact of trade facilitation

measures. World Customs Organisation (WCO) prescribes this as an important indicator and Indian Customs has also adopted the related norms. Dwell time analysis compiled from the details furnished by the Department revealed that there was a downtrend in dwell time and the decrease was from 13.94 days during 2010-11 to 10.95 days during 2013-14. The decline was attributed to various ICT measures adopted by CBEC/DGFT and rationalization of procedures.

45. Almost 65 per cent of the total time taken in imports is attributed to the filing of BEs and payment of duty, while in exports filing of the EGM constituted nearly 90 per cent of the total time taken. In overall logistic performance index, although India's score has improved over time, almost all indicators of logistic performance including customs efficiency, logistics quality and competence and trade and transport related infrastructure can be improved. DoR stated that delay in clearance of imported/exported goods are mainly on account of port congestion, lack of timely response from other regularity agencies, many of whom still work on manual mode etc. All regulatory agencies have to re - engineer their business processes which require legal, regulatory, procedural and technical changes. DGFT stated that the achievements depends on the acceptance/preparedness of multiple Agencies/Departments/Ministries.

46. DGFT stated that it has identified specific issues in its "Trading Across Border" report and requested Ministry of Shipping for implementation. CBEC stated that the recent trade facilitation measure taken include extending facility of 24x7 for customs clearance at 18 sea ports for specified imports and specified exports and at 17 air cargo complexes for specified imports and all exports. Customs procedures have been simplified and automated. Paperless working in Customs is encouraged by introducing digital signature for filing of Customs documents. Issues of evacuation time and charges paid by shipping lines have been taken up with Ministry of Shipping, issues related to infrastructure/ warehouses at air cargo complexes have been taken up with Ministry of Civil Aviation. Customs is monitoring the clearance time of imported and export goods through dwell time analysis and 'Time Release Study' (TRS) of every stages of clearance process.

47. CBEC has submitted that it has taken steps to reengineer the business processes of the regulatory agencies so as to avoid port congestion by emphasizing the need for adopting risk based inspection/examination by other regulatory Agencies/Departments so that total dwell time may be curtailed. The other regulatory agencies have also been requested to provide Standard Operating Procedure and the timelines for clearance of goods. Furthermore other Departments/Agencies have been requested to delegate power to Customs to draw samples in order to reduce overall time in clearance. The Single Window project would allow importers and exporters the facility to lodge their clearance documents at a single point only. Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies. This would reduce interface with Governmental agencies, dwell time and the cost of doing business. Vide Circular no 13/2015-Customs, dated 13.04.2015, the CBEC has set up a Customs Clearance Facilitation Committee (CCFC) at every major Customs seaport and airport. World Bank's biennial report titled Logistics Perfonmance Index Report 2016 has accorded a significant upward ranking placing India at 35th place and Indian Customs at 38th. The last report in 2014 had ranked India at 54 and Indian Customs at 65.

48. Further, the Department stated that Indian Customs Single Window Project has also begun with the establishment of an appropriate administrative structure in the form of an inter-ministerial Steering Group that is chaired by Member (Customs), CBEC, a Project Management Group in CBEC and Project Management Units in the Ministries. As an interim measure, the Board has implemented an electronic online message exchange between the Food Safety and Standards Authority of India (FSSAI) and the Department of Plan Protection, Quarantine and Storage (PQIS) with the Customs with effect from 1.4.2015 at JNPT (NhavaSheva), ICD, Tughlakabad and ICD, Patparganj.

49. The Committee enquired as to what steps have been taken by CBEC/DGFT to re-engineer the business processes of the regulatory agencies so as to avoid port congestion and lack of timely response from other regularity agencies, many of whom still work on manual mode etc. and in the process ensure timely clearance of imported/exported goods, the Department of Revenue replied that the implementation of

the Single Window project has been entrusted to an Inter-Ministerial Steering Group under Member (Customs), CBEC, a Project Management Group (PMG) within the CBEC, and Project Management Units (PMU) within each Ministries/Departments concerned. CBEC, D/o Revenue has established a dedicated project team to co-ordinate the implementation of the Single Window project. CBEC has also emphasized the need for adopting risk based inspection/examination by other regulatory agencies/departments so that total dwell time may be curtailed. The other regulatory agencies have also been requested to provide Standard Operating Procedure and the timelines for clearance of goods. Furthermore other departments/agencies have been requested to delegated power to Customs to draw samples in order to reduce overall time in clearance. The Single Window project would allow importers and exporters the facility to lodge their clearance documents at a single point only. Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies. This would reduce interface with Governmental agencies, dwell time and the cost of doing business. The Single Window Scheme envisages development of integrated declaration that meets requirement of all agencies, automatic identification of import/export goods that require clearance by other government agencies, integrated risk management, conveying decisions of other agencies online to customs, e-payment of fee and charges at common portal and enabling paperless processing. The Single Window scheme will reduce dwell time and cost of doing business by enabling paper less working and making a common interface of trade with the Government. This will also lead to better utilisation of resources and enhanced transparency.

50. During oral evidence, the Revenue Secretary interalia submitted that cost of import and export is an important determinant, very important factor and if people have to spend 8-10% of the total value of the import then it is not a good sign. He further submitted that during 2015 two separate sources had quoted the cost of import-export and due to the efforts taken by the Ministry there would have been a definite reduction in the cost that people have to incur in order to import or export.

51. Supplementing the Revenue Secretary, CBEC Chairperson submitted that:

"Like the RS mentioned, we have not done any study per se on transaction cost. But every time there is a reduction in time which has been happening, it will also result in reduction in cost. That reduction in time has been happening."

B. Delay in Allotment of Berths by Port Authorities Resulted in Cost and Time Overrun to the Shippers

52. Ports are handling different types of cargos like Bulk cargo and containerized Cargo. The Port Authority decides and allots berth to vessels calling the port based on the type of cargo along with preferred berth and thereafter, the vessel reaches the berth from anchorage. Ports adopt priority based berth allotment for the specified ships to facilitate the trade and increase the business. It was observed that no standard benchmark or norms have been prescribed for ships waiting to get berth at ports and there are no standard norms or benchmarks prescribed for comparing the time taken during the various stages in the clearance of goods.

53. In Kochi, Kolkata and Mumbai, the average time taken for getting berth allotment in the Port ranged from less than one day in 24 per cent, up to two days in 30 per cent and more than two days in 46 per cent of the total vessels called during the period 2010 - 11 to 2013 - 14. Nearly 50 per cent of the vessels which called the port are allotted berth only after waiting period of more than 2 days. In Chennai, the statistical details provided in the Administrative Report of Chennai Port Trust for 2012 - 13 revealed that the ships had to wait for an average period ranging from 8 hours to 65 hours for getting berth in the port.

54. Detention of ships in anchorage for a longer duration involves cost and time overrun to the shippers. The Second Task Force recommended introduction of Systematic Traffic Management system for all Indian Ports in 2014. Action required by the Port community system was however not detailed. Implementation of the Task Force recommendations was to be coordinated by DoC with the Shipping Ministry.

However, no timeline, measurable deliverable or target was set by the coordinating ministry or the implementing ministry for implementation of the recommendations.

55. DoC submitted that it has requested for implementation of the recommendations of the report on 'Second Task Force on the Transaction Costs in Exports' and 'Trading Across Borders' to all concerned authorities. M/o Shipping has already initiated actions with port authorities and it is expected that a transparent berthing arrangement/policy will be devised and implemented soon. M/o Shipping is also in coordination with D/o Revenue for customs related issues. The time taken for berthing of ships is monitored by Ministry of Shipping.

56. The Ministry of Shipping submitted that Manual Form 13 &11 have been eliminated w.e.f. 23.02.2015 and software for web based e-form 13 has been developed, wherein the Customs authorization/endorsement is obtained online while accepting the containers. The Ministry has also instructed to introduce Gate Automation System/E-delivery orders latest by 31.03.2016. Out of 31 Shipping Lines, 30 Shipping Lines have already implemented of E-Delivery order.

57. The Committee wanted to know whether any study was conducted by MoS to decongest major ports and to reduce detention period of ships at anchorage, the Ministry of Shipping replied that it has formulated a perspective plan for development of Maritime sector namely "Maritime Agenda 2010-2020". Significant initiatives such as construction of new berths and terminals, modernisation and mechanisation of berths, deepening of channels and Improving of Rail Road connectivity have taken under this plan to decongest major ports and to reduce detention periods of ships at anchorage. 43 PPP projects at an estimated cost of ₹ 36859.61 crore to enhance capacity by 362.16 MTPA, 39 Non-PPP projects at an estimated cost of ₹ 8210.19 crore to enhance capacity by 166.26 MTPA and 9 captive projects at an estimated cost of ₹ 9340.18 Crore to enhance capacity by 80.10 MTPA, have been awarded from 2011-12 till date. About 20 more projects are to be awarded in the current financial year. Besides this, a

study to benchmark performance of major ports to comparable international ports, has been undertaken and the report is expected to be available by December, 2015.

58. During oral evidence, the Shipping Secretary interalia stated that one main project of the Shipping Ministry which has a direct bearing on the work of the Ministry is the Sagarmala Project. There are four main pillars of this project out of which port capacity or efficiency enhancement and port connectivity are the main. Many years ago capacity utilization of major ports was nearly 90% and had a lot of congestion. But due to increase in capacity of non-major ports, private sector ports and Government ports, last year's capacity utilization was 63% which indicates that a lot goods can be loaded and unloaded at the ports.

B. Delay in Clearing the Goods by the Importers at Ports

59. No standard benchmark or norms have been prescribed for ships waiting to get berth at ports and time taken during the various stages in the clearance of goods. Upon arrival of vessel in the allotted berth, the port operation starts based on the category of cargo. In respect of liquid bulk cargo, where the delivery is through pipe line, the dwell time for unloading is only the time taken from ship berth to Customs clearance order of such cargo. In case of containerised cargo, the cargo is unloaded by Steamer Agents or CFS Agents and moved to CFS within free retention period of three days. Beyond the free period, the Port authorities charge demurrage on the importers for non - clearance of the goods. In JNPT, Mumbai and ACC, Chennai, nearly 40 per cent of the goods were cleared by the importers beyond the free period of three days during 2010 - 11 to 2013 - 14. Delay on the part of the importers in clearing the goods added up to the cost of goods as demurrage charges on the imports. The demurrage charges could have been avoided by establishing more CFSs and warehousing space for keeping goods. Creation of more warehousing space at reasonable charges for importers/exporters is one of the trade facilitation measures.

60. The Department of Revenue submitted that all the 12 Major Ports and 6 Non-major Ports are part of Port Community System (PCS) The PCS system is integrated with the Customs EDI. Port authorities are using PCS effectively and around 11-12 lakhs messages are being exchanged every month. In establishing of new CFSs, Customs provides inputs on the feasibility report. An Inter-Ministerial Committee (IMC) under the Chairmanship of the Additional Secretary (Infrastructure), Ministry of Commerce comprising representatives of various concerned Ministries/Departments including Department of Revenue considers the proposals for setting up of new CFSs at different centers in the country and monitors their progress. A CFS is only a Customs Area located in the jurisdiction of a Commissioner of Customs exercising control over a specified Customs port, airport, LCS/ICD. Proposals for setting up CFS are considered and approved by the IMC.

61. The Department further submitted that charging of reasonable rent, the same is governed by many factors and Customs has no role or control on fixation of the same. In the case of JNCH, a total No. of 33 CFSs under its jurisdiction are scattered over a large area and are managed by both public and private agencies. The rent is totally market driven based on factors like location of CFS from Port area, availability of storage space, manpower and infrastructure available at CFS, transportation cost involved, cost of land, Shipping charges, services provided by CFS, etc. Regulation 6(3) of the Handling of Cargo in Customs Areas Regulations, 2009 states about the 'Responsibilities of Customs Cargo Service provider and the schedule of charges for the various services provided by him in relation to the imported goods or export goods in the customs area.' However, to ensure transparency towards charges being collected by the CFSs from the Importers, CFSs have been directed to display their applicable charges on Notice Boards and their Websites.

62. In this connection, the Ministry of Shipping conducted a study to decongest major ports and to reduce detention period of ships at anchorage and report submitted by Boston Consultancy Group. Major Ports have taken several steps to expedite clearances of cargo within the free time, such as 24x7 Customs clearances facility,

director Port Delivery (DPD) facility, simplification of Customs documentation procedures, converting manual documentation system into online system etc.

63. During oral evidence, the MD, Indian Ports Association submitted as under:

"Similarly, we have a very sophisticated Vessel Traffic Management System. Now, in all the ports we have installed it. We have also given instructions to all the major ports to provide land and office space to all the regulatory agencies within the port itself. So, the ports are doing it so that there is no delay on that account. Both the process improvement, actually, our Ministry had undertaken a detailed study to improve the operational efficiency. Around 116 initiatives were identified and 60 have implemented. Rest are under implementation. A lot of improvement has taken place in the last one and a half years because of this. Nearly 50 metric tones of capacity has been unlocked and around ₹ 400 crore to ₹ 500 crore is the savings in the logistics costs for the trade because of this. Another important thing what the ports have done, there was a manual form 11 and 13, which is required for the containers to enter the ports. That has been done away with and now there is an electronic form. There is another important initiative of customs where we are also cooperating with them is the direct port delivery. Now, the import container, after it comes, it goes to the CFS, from there after the clearances, it is taken out. It takes around eight to eleven days actually when it goes to the CFS. To cut down this time, what we have done, we are promoting the direct port delivery from the port itself. They have ACP (Accredited Client Programme). Those numbers they are increasing and for those customers we are giving. Now, out dwell time in the port is only around 1.5 days."

64. Supplementing the above, the Shipping Secretary interalia stated that that numbers relating to direct delivery were increasing slowly. The Ministry was constantly requesting the Customs to increase them. In most of the ports abroad, there is a substantial portion for direct delivery which is very little in India.

65. The MD, Indian Ports Association further added that:

"Sir, actually, during the peak hours, there is a rate. Just to reduce the congestion, what we have suggested is, beyond the peak hours, the rates will be much less so that people actually prefer that. Then there is a problem of banks not working 24X7. The customs have actually taken it up with banks. So, there is a constraint there."

C. Delay in Rectification of Errors in Import General Manifests (IGM)

66. As per section 30 of the Customs Act, 1962, IGM is required to be filed by the shipping agent giving the complete list of all cargo including the cargo meant for other ports. The Manifest can be filed in advance in anticipation of arrival of the ship so that preparatory work for the clearance of the cargo can be started well in advance. The IGMs are filed either from the service centre or ICEGATE. As the entire process for clearance of goods can be initiated only on the basis of entries in the manifest, filing of manifest on-time without errors is very critical for facilitating trade.

67. Almost all import manifests were filed in advance during the period 2010 - 11 to 2013 - 14. However, 22 per cent of the IGMs were found to contain errors which required amendments. The number of IGMs filed with errors which required corrections to be incorporated ranged almost 50 per cent. Non - declaration of the destination port was found to be the major reason necessitating amendments in the IGM. Error - free manifests are essential for processing the BEs and facilitate faster clearance of cargo. Delay in rectifying the errors also contributed to the overall delay in the clearance of import cargo.

68. Department of Revenue submitted that reports had been received from field formation which revealed the causes for errors occurring in the IGM. The errors mainly related to cargo details, container numbers, address of importers suppliers, name of the consignee etc. Errors also had been reported on account of typing mistakes in relation to mark and number of container. Excess/short landing of cargo also lead to error in IGM and needs suitable amendment/ corrections.

69. To remedy the errors occurring in filing of IGM, The Department has initiated several measures including penal provisions which have already been initiated to ensure error free IGMs. Section 30 of the Customs Act, 1962 read with Levy of Fee (Customs Documents) Regulations,1970 allows the proper officer to permit IGM amendment, if satisfied that there is no fraudulent intention, on payment of prescribed fees. Amendments have been classified as major and minor amendments and the need for adjudication of such amendments have also been examined based on the

substantial revenue implication. All the relevant information is available in the public domain for ease of reference for the stake holders. Further, the concerned stake holders have been sensitized not to commit routine mistakes that lead to amendments of IGM. With greater attention towards accuracy of data, Shipping Agents can avoid the mistakes in the IGM. In order to reduce errors in Bills of Entries, detailed error codes with description has been provided in the System for rectification of any error in filing Customs Documents. It is envisaged that it would work as self learning system to prevent future errors and make the documents error free over time.

70. Standard RES formats of all documents have been provided to the importers and Customs Brokers filing error free Bills of Entry. Workshops have been conducted by the Directorate of systems. Commissionerates and Directorate General of Valuation for reducing errors of data. System allows online submission of amendments which the Customs Officer has to approve after Entry inward. IGM amendment procedure is statutory process as stipulated under Sec. 30 of Customs Act, 1962. Proviso (3) to Section 30 Subsection (1) stipulates that "If the proper officer is satisfied that the import manifests or import report is in any way incorrect or incomplete, and that there was no fraudulent intention, he may permit it to be amended or supplemented". Therefore, permitting online amendment of IGM is difficult. Documentary evidences are required to be produced by the Shipping Lines / Airlines for getting such amendment done. There are amendment fee also prescribed under law amendments are carried out in EDI system only after manual scrutiny of the grounds of amendments and approval is granted by the proper officer on merits. Hence the amendments with proper scrutiny is desirable.

D. Delay in filing of BEs by importers

71. As per section 46 of the Customs Act 1962, the importer of any goods shall make entry thereof by presenting the BE electronically except in cases where it is not feasible to make such entry electronically. As per second proviso to sub - section 3 of section 46 of the Act, the BE may be presented even before the delivery of such manifest but within 30 days of the expected arrival of the vessel/aircraft. Scrutiny of the data revealed that only 25 per cent of BEs are being filed within 24 hours whereas 50 per cent of the

BEs are being filed only after three days of the filing of the manifest. Delay in obtaining the necessary documents from Steamer Agents, Suppliers etc., incorrect documentation, insufficient funds and errors in the filing of IGMs contributed to the delay. Moreover, it was observed that BEs filed prior to the entry of the vessel were low at 14 per cent.

72. The Department of Revenue submitted that The reasons for delay in filing of Bill of Entry after arrival of the Vessel / Cargo flight include inventory management, non-availability of space in the manufacturing area, insufficient funds for payment at bank to release the documents and also payment of duty, non-receipt of documents from bank, inadvertent errors requiring amendments, non-receipt of documents by the importers, re-negotiation due to price fluctuation in international market rectification of errors committed while filing of IGM etc. Customs have no control in above factors relating to delay in filing of bill of entry by the importers. In various forums like Permanent Trade Facilitation Committee (PTFC) meeting and others, the trade was suitably sensitized / advised for filing of BE in advance for saving time and transaction cost. As regards amendments through ICEGATE and to adjust the excess duty paid due to short landing of goods etc., development of such functionality depends on prioritization of other IT Modules and systems constraints. Trade is regularly sensitized to file advance bills of entry to reduce dwell time and transaction cost. In every Trade Facilitation Meetings like Permanent Trade Facilitation Committee (PTFC) or any other interactive meetings with Trade, the importers are being advised and encouraged to file prior Bills of Entry, which in turn results in reduction of dwell time.

73. The Committee desired to know as to what steps the DoR had taken to reach out to importers to file error free BEs, to reduce time delay, allow online amendments to the minor errors in BE, adjustment of excess duty paid due to short landing, the Department replied that in order to reduce errors in Bills of Entries, detailed error codes with description has been provided in the System for rectification of any error in filing customs documents. It is envisaged that it would work as self learning system to prevent future errors and make the documents error free over time. Standard RES formats of all documents have been provided to the importers and Customs Brokers

filing error free Bills of Entry. Workshops have been conducted by the Directorate of Systems, Commissionerates and Directorate General of Valuation for reducing errors of data.

74. Further, the Committee reiterated the fact that permitting minor amendments in IGM by the shipping line/agents online instead of going to the service centre may reduce the dwell time and wanted to know why the DoR was adverse to this idea of allowing importers to amend the IGM online to which the DoR replied that system allows online submission of amendments which the Customs Officer has to approve after Entry inward. IGM amendment procedure is statutory process as stipulated under Section 30 of Customs Act, 1962. Proviso (3) to Section 30 Subsection (1) stipulates that "if the proper officer is satisfied that the import manifests or import report is in any way incorrect or incomplete, and that there was no fraudulent intention, he may permit it to be amended or supplemented". Therefore, permitting online amendment of IGM is difficult. Documentary evidences are required to be produced by the Shipping Lines/Airlines for getting such amendment done. There are amendment fee also prescribed under law. Amendments are carried out in EDI system only after manual scrutiny of the grounds of amendments and approval is granted by the proper officer on merits. Hence, the amendments with proper scrutiny is desirable. However, to strike a balance between trade facilitation and compliance, feasibility of allowing minor amendments online and consequent changes in ICES is being examined.

E. Examination of Imported Goods by Customs

75. All imported goods are required to be examined for verification of correctness of description given in the BE by selecting a part of the consignment on random selection basis. After introduction of RMS, physical examination of imported goods will be done on a percentage basis based on the risk parameters identified by the system by segregating sensitive cargo from routine cargo.

76. It was observed that the examination of goods exceeding 24 hours was in the range of 22 per cent. The examination of goods after payment of duty showed an increasing trend. The percentage of examination of goods beyond 24 hours increased

from 11.27 to 22.42 per cent and from 5.87 to 32.76 per cent respectively during the period 2010-11 to 2013-14, the percentage of delay in examination was still very high when compared to the average. Reasons attributed for this delay were shortage of Customs Officers in the rank of Examiners/Preventive officers and non-availability of Mobile Gamma ray Container scanners at Chennai and Cochin (Sea) Port. In 29 CFSs operational in Chennai Sea customs, only 24 examiners/preventive officers were posted for Import and Export examination. In Cochin Port, the reasons attributed for the delay were:

(i) Inadequate co-ordination among different stakeholders like Customs brokers, Steamer agents, CFS's, Port authorities etc.

(ii) Containers from the Port area could be moved to the CFS for customs examination only after payment of all dues to the Steamer Agent/Shipping Agents and after obtaining the Delivery Orders unlike in other Ports where the movement to the CFS is done without insisting for Delivery Orders.

(iii) As against the free period of 3 days allowed in other ports, in Cochin Customs the demurrage-free time for clearance of containers from the port area was fixed at seven days as a temporary measure consequent to shifting of Container operations to ICTT, Vallarpadam as per Trade Facility No.4/2010.

(iv) This led to laxity on the part of importers/CHAs to expedite the clearance process. Increase in free time does not facilitate fast movement of cargo which eventually increases the overall dwell time. Even after four years of setting up of the ICTT, no reduction in demurrage free time was made by the Port operator thereby contributing to the increase in dwell time.\

77. It was pointed in Mumbai that the samples of the entire CFSs of Navasheva Port are stored/dumped in one CFS causing health hazard and storage problems. It was also observed that posting of a single Assistant Commissioner for a number of CFSs and testing of imported textile/textile articles for its composition and hazardous dyes as per the provisions of Customs circular dated 15 March 2004 contributed to delay in clearances of import cargo. Similar situation was noted in the export clearances side also.

78. The DoR submitted that At JNCH, the samples are being stored in a single CFS for centralized monitoring. There is sufficient available space in the said CFS and requisite precautions are being taken for storage and handling of the samples.

Regarding posting of ACs/DCs in CFSs in increased numbers to avoid delay in clearance, it is informed that post Cadre Restructuring in CBEC, erstwhile 2 Commissionerates (1 Import and 1 Export) have been reorganized in 6 Commissionerates (Nhava Sheva- General, I to V) on geographical basis. At present, 33 CFSs are manned by 17 ACs/DCs in the CFSs to avoid any delay in examination and clearance of the import and export goods on account of shortage of officers.

79. Regarding testing of Textile/Textile Articles for its composition and Hazardous dyes, the testing is being done fully in accordance with prescribed guidelines. Further, the test reports are valid for a period of 6 months in cases where the textile/textile articles of the same specification/quality are imported and the importer, supplier and the Country of Origin are the same. Textile Ministry replied that in order to facilitate ease of doing business and reducing transaction cost and faster clearances of goods and have requested DGFT to revise the guidelines for testing of imported textile material for presence of hazardous dyes. In response to the ministry's efforts DGFT has issued Notification No. 19/2015-2020 dated 04.09.2015 by which testing for a number of countries where azo dyes are banned has been done away with and mandatory testing for countries where azo dyes have not been banned has been restricted to 25% from countries mainly where no legal restrictions is in force.

80. Regarding high end Container Scanning at ports, JNCH is already in the process of installation of more "State of the Art High Capacity Scanners" which will reduce the time taken for scanning. The action for installation of scanners at ports is already going on since 2004 and one mobile and one Fixed container scanner as a part of Pilot project were installed during the year 2004 and 2005 in JNCH, Nhava Sheva. As per CNE approval, three Mobile Gamma-ray Container Scanners have been installed in Tuticorin, Chennai and Kandla during the year 2014 and 2015. These three Mobile Gamma Ray scanners were commissioned at Tuticorin Customs in March, 2014, at Chennai Customs in the month of June, 2014 and at Kandla in March, 2015. The four fixed X-ray Container Scanners at Mumbai, Chennai, Tuticorin and Kandla, are being supplied by M/s BEL, Bangalore out of which one AXIS (Fixed Scanner) has been installed at Mumbai in July 2015 by M/s BEL. Installation of the system is completed and after

completion of SAT and training of Customs staff the system is now under trial period for one month. The installation of rest three Fixed X-ray Container Scanner at Chennai, Tuticorin and Kandla is in progress and likely to be installed by this Financial Year s per commitment given by vendor.

81. For the installation of three Drive Through Container Scanner (Road) at JNPT, Cochin and Mundra, the procurement and installation is under process. The Ministry has also given in-principle approval for submission of proposal for installation of Drive Through Container Scanner (Rail) at Gateway Port of Nhava Sheva and Mundra port. The same is under examination and proposal along with suitable site after selection is being carried out in consultation with Ministry of railways and concerned port authorities. The installation of scanners has resulted in improvement in the Customs efficiency. This has enabled the department to scan the containers without opening resulting in enhancing the level of facilitation, thereby speeding up the process of cargo clearance resulting in substantial reduction of dwell time of cargo. This has also resulted in detections of mis-declaration and concealment of goods etc. The scanners have god deterrent effect. In JNPT, where two scanners have been installed, have detected 152 cases involving duty of Rs. 8.8 crores in 2012-13, 192 cases involving duty of Rs. 10.2 crores in 2013-14 and 64 cases involving duty of Rs. 2.24 crores in 2014-15 and in current Financial year 7 cases involving duty of Rs. 0.14 crores till June, 2015. In order to further improve the Customs efficiency the CBEC is taking steps for EDI connectivity between ICES of Customs with DMS of container scanners for transmission of scanned images and reports through ICEGATE on a real time basis so that examining officers can have the access of scanned images and report while assessing the Bill of Entry which will help in clearance of Containers faster. The Customs staff strength is being augmented by selection/recruitment as part of Cadre restructuring, the examination of goods are done based upon Risk Assessment System in both imports and exports which enables interdiction based upon the risk associated with consignment and not in routine manner.

82. The Committee enquired about the steps taken to co-ordinate between different stake holders to overcome the delay in examination of imported goods, the Department

replied that Customs clearance Facilitation Committee (CCFC) set up by the Board under the Chairmanship of Chief Commissioner is co-ordinating with the different agencies and resolving the issues if any by providing a solution to reduce the dwell time. In the meeting, various issues pertaining to these agencies are discussed and resolved in light of problems faced by the trade. These agencies have also been requested to integrate their systems with Customs EDI for online approval which will enhance the speedy clearance and will reduce dwell time. AT the same time, online approvals will enhance transparency and will reduce scope of any fraud. Further, representatives of varios stake holders have been requested to explore implementation of online payment of their changes, developing Standard Operating Procedure and Risk based selection of Consignments/Samples. Board has directed that meetings of CCFC should be held regularly.

83. During oral evidence, the Joint Secretary, Customs stated that:

> "Sir, whichever cargo is perceived as risky is subjected to examination by Customs. That means, as on today a national average of 20 per cent of the cargo is stopped by Customs for examination. This examination would require either test of the commodity which is imported or additional documentation which needs to be provided by the importer or any other details which are required where query is raised and sent to the importer. While answering this query if there is a delay in the part of the importer, that delay is also built into this time taken for examination by Customs."

84. Supplementing the above, the Revenue Secretary, during oral evidence, interalia stated that about 70 to 80 per cent cargo is being facilitated which means that the Customs were asking no questions but in remaining 30 per cent cases where statistics said physical examination was done, the Customs do it based on some intelligence reports because of tie-ups with other countries. When cargo is being loaded, then also it is known that some contraband is in it and we stop it. Also, we have our own risk parameter on which we stop the cargo. This is important as Effort is always to ensure that whatever cargo is stopped, verification is 100% cargo facilitation would not be possible. Our effort is always to ensure that whatever cargo we stop is done based on sound principles of risk management or it is based on some advance information

received, not otherwise. On such scientific basis we try to facilitate as much as cargo without even touching it.

85. Providing further inputs, the CBEC Chairperson, during oral evidence submitted:

> "Here are the port-wise numbers for the month of August, 2016, the latest figures. Nhava Sheva, which is our biggest port, the total time taken for the clearance of the goods is eight days and nine hours between the time of entry to the time of goods being given to the importer; time taken by the importer for filing the declaration is four days and nine hours; time taken by the Customs for assessment after declaration is 19 hours; time taken by the importer for payment of duty is 22 hours thereafter; thereafter the time taken from payment of duty to producing the documents where it was required is two days; time taken from registration out of charge, the final handing over of the goods is five hours by the Customs. So, totally it was eight days, nine hours, 18 minutes to be precise."

86. During the oral evidence held on 26.09.2016, the Shipping Secretary interalia stated that the Shipping Ministry was providing equipments to the Customs and they would use it on risk basis. Efforts were on that each and every Department involved, risk based system would be integrated so that 5-7% more X-ray wouldn't be needed. Such a system was being developed by the Customs.

87. During the oral evidence held on 26.10.2016, the Textiles Secretary submitted that:

> "The Ministry of Textiles has prepared the Standard Operating System (SOP) for testing of articles containing Azo dyes and this has been furnished to CBEC. The duration of testing has been reduced from 4 days to 2 days. We have also introduced a system of applying online and making payment also for such testing online. Earlier, this was also causing a lot of delays as the payments had to be made in the Textile Committee office and that caused a lot of problem. Then, Electronic Data Interchange (EDI) software of Customs and Textile Committee is being integrated so that online test reports can be generated and communicated to the Customs on real time basis. Single Sign-On Identification, Log-in User ID for Textile Committee to log onto ICEGATE -- the portal of CBEC -- has been allotted to 12 Textile Committee Laboratories. For balance laboratories, the work is under progress and we are hopeful that for the remaining laboratories also we will be able to get it, which will facilitate testing, etc. quite a bit. Nine Textiles Committee Laboratories have been connected to EDI Software through VPN connectivity. This is a secure, encrypted data line between Textile Committee and EDI for transmission of data. Job roles

have been assigned to Textile Committee laboratory by Customs in Mumbai, Bangalore and Chennai. New textile labs are being established at two places, namely, JNPT, Mumbai and Cochin Port. Online payment facility in Textile Committee labs has also been introduced by the Textile Committee to facilitate payment for testing, etc."

88. When enquired about reduction of time in testing of samples, the Textiles Secretary interalia stated that it was going to happen within a month and the Ministry was in dialogue with the Customs authorities. the Customs authorities had promised that within one month they would tie up with our labs.

89. Further, the Textiles Secretary submitted that:

"....about unpacking the material for testing etc. that is basically done by the Customs authority. We have also taken it up with them. It is something which they will be able to explain further as to why they need to do it. In certain cases they do not do but in certain cases they feel that it is necessary. Basically it is the Customs authority who will be able to explain this.

F. Delay in implementing Infrastructure Projects for free movement of cargo affecting facilitation

(1) Non-completion of elevated four lane link road from Chennai Port to Maduravoyal

90. A scheme for providing a 19 KM Elevated Corridor from the Southern Gate of Chennai Port to Maduravoyal leading to the NH14 formulated in June 2007 was stopped midway affecting facilitation of container movements.

91. The Ministry of Shipping submitted that the work was awarded during 2008-09 to NHAI. However, when physical progress of the work was 14.79 %, the work was stopped by the Port and Water Resources Department, Government of Tamilnadu. NHAI approached Madras High Court against the stoppage. Hon'ble High Court ordered for resumption of work. Govt. of Tamilnadu Nadu has gone in appeal to Supreme Court and the case is pending there. Ministry of Shipping has been taking up this project with the state Government on regular basis for early resumption of work.

92. During oral evidence, held on 26.09.2016, the MD, Indian Ports Association submitted as under:

> "That is actually a flyover. Actually 15 per cent of the work was completed by NHAI. That was done through PPP mode. 15 per cent of the work was completed. At that stage, the Tamil Nadu Government actually raised objection that some of the pillars are creating problem in the flow of water in the river Cooum and then they had stopped. They have gone to the court. NHAI had gone to court. The Tamil Nadu Government has also gone to court. The case is still pending. In the meantime, they have agreed for the out of court settlement and NHAI has been asked to give an alternate proposal. So, it is pending at that level. This is also continuously being pursued with the Tamil Nadu Government by NHAI and the Ministry of Shipping."

93. Supplementing the above, the Shipping Secretary, interalia stated that that if the State Governments cooperate then the projects would be completed but fact of the matter is that the State Government, in this project had its own view that is why it approached the Supreme Court and NHAI approached the High Court. This underlines the State Government's cooperation.

94. The NHAI Chairman, during oral evidence held on 07.10.2016, interalia submitted that this project was started on BOT toll mode on 14 September, 2010. The cost of the project was ₹ 1815 crore and had all the clearances of the State Government. When the State Government highlighted the point that the flood plain of Kudankulam river would be affected, this claim wasn't correct. NHAI had gone to the High Court on the basis of this claim because the contract had been awarded, resources were mobilized, work had started and then the Government changed and all of a sudden work was stopped. How did this happen, we don't know. We went to the High Court against this. NHAI won the case in the High Court. The State Government of Tamil Nadu filed a SLP against us in the Supreme Court in March, 2014. The Supreme Court gave a stay order on this. In this connection, three hearings were held. We were also informing the Government of India on this issue. The Government was aware, the Attorney General was aware and the main reason for this was that the Sate Government did not sign the Stay Support Agreement and the Government of India started the work in good faith. But the support of the State Government was needed.

(2) Non-completion of Chennai Ennore Port Road Connectivity Project (Formerly Ennore Manali Road Improvement Project (EMRIP)

95. Non-completion of the project undertaken in January 2002 for strengthening of the connecting roads from the Port has severely affected the movement of container laden trucks from Chennai Port, which presently takes a minimum of 24 hours to reach a CFS just 10 kms away. The project was commenced in the year 2002 at an estimated cost of ₹ 150 crore which has been revised to ₹ 600 crore.

96. The Ministry of Shipping submitted that 95% of the work has been completed. Project affected families have opted for the Kanchipuram society land for the tenements. Completion of auction platform in fishing harbor is expected by 30.09.2015 and thereafter fishing stalls will be relocated. The issue has been taken up with the State Government many times as their cooperation is required in settlement of the PAFs. The project is now expected to be completed by 31.12.2015.

97. During the oral evidence held on 26.09.2016, the MD, IPA, submitted as under:

> "This EMRIP road is being implemented by NHAI and the Ministry of Shipping also given funds for that. 95 per cent of the road work is over. There are two places where actually some houses are there which are to be shifted. We have taken up that with the State Government and it is pending for that only. They are also identifying some alternate accommodation for them and continuously, Ministry of Shipping and NHAI, we are taking up with the Tamil Nadu Government. Once they shift those people, then the road will be completed actually. There are two bottlenecks. They are of very short distance. Otherwise, the entire road is over and a lot of relief is there for container movement but once the State Government gives the alternate housing for them because we have to demolish those houses. Then that stretch can be completed."

98. Supplementing the above, the NHAI Chairman, during oral evidence held on 07.10.2016 interalia stated that this project was started in 2011 and is nearly complete. Only 300 metre stretch, when completed, the road would become functional. But unless the work doesn't get complete, the road cannot be functional. On road toll also cannot be started.

99. Further, when enquired about the State Government's non-committal to rehabilitate the displaced persons and their refusal to relocate, the NHAI Chairman interalia submitted that for this many meetings were held at official level, Ministry level, even the Minister of State held many meetings in this connection. Adviser to the Minister has also held many meetings.

100. The Committee wanted to know if such non-cooperation from the State Government of Tamil Nadu to Government of India was also observed in other projects at various other ports, the NHAI interalia stated that there were other projects for ports also and there was not any non-cooperation from the State Government.

101. The Committee enquired whether the Ministry was in a position or having any kind of arrangement that for no responsibility for whatever claim amount or the case may be transferred to the State Government or simultaneously the Ministry could start litigation with the State Government for this, The Secretary, Road Transport and Highways, interalia stated that it was very difficult to enter into a litigation with the State Government because the other roads in Tamil Nadu would get affected by this. If we try and recover the money from amount due to Tamil Nadu, then their road development programme will get stalled. It is very difficult to visualise it. Today if the Government tells us to build roads, tomorrow we will get it signed. But tomorrow elections take place and there is a change in regime. After that there is change in attitude, at that time contracts have been fixed, work has progressed and you are in for it. So, it is a very tricky thing. We are trying to negotiate/talk to them. Let us see how we succeed, but it is difficult to take a generalist view and say that you take x, y, z action against the State Government. This is a federal country. We have to get roads built in Tamil Nadu and all other States. So, we have to, kind of, go by persuasion.

(3) Lack of Rail infrastructure to move containers to ICDs

102. Delhi Customs Commissioncrate reported that 14000 containers were waiting at various ports viz. JNPT, Mundra and Pipavah for transshipment to ICD Tughlakabad as on 15th July 2014 due to the following reasons:

(a) Congestion in line;

(b) Nonavailability of racks;

(c) Limitations in loading of containers; and

(d) Availability of only a single line in the route from Pipavah port to ICD Tughlakabad.

103. The Ministry of Railways submitted that evacuation of containers from port by rail is a process involving complex interplay of activities involving a number of stakeholders. The role of clearing of containers from ports begins with Customs clearance, which generally does not take place on Sundays and holidays. Loading of these "Customs cleared containers" on rakes belonging to the container train operator (CTO) is then done by the port operators. In JNPT, for example, Railways has been suffering substantial erosion of its transportation capacity on account of slow loading of containers by the port operators and this has in recent times resulted in a substantial increase in the pendency of containers at the ports. Rakes for carrying containers are owned by the Container Train Operators and, as such, their augmentation is a commercial decision of the respective CTOs. As regards on going schemes for augmentation of transportation capacity, it is pointed out that the doubling of Madar-Palanpur-Mehsana-Viramgam and Surendranagar-Pipavav sections is being progressed presently. In addition, Dedicated Freight Corridor is also being created by Railways primarily with a view to cater to EXIM traffic between northern hinterland and the ports on the western coast of India.

104. During oral evidence held on 26.09.2016, the Railway Board Chairman submitted as under:

> ".....which is a common line between the two routes that we have mentioned, even presently the capacity utilisation is only 60 per cent. So, it is not the constraint at the moment and in any case, we are having many doubling proposals in that area available with us and this Ajmer route is getting doubled which is already sanctioned for doubling and the work is going on. So, I do not think there is going to be any constraint as far as Pipavav port is concerned in times to come."

105. Supplementing the Railway Board Chairman, the Shipping Secretary interalia submitted that the port was State Government's port but approximately 7-8 ports are in Gujarat which handle cargo and its cargo growth saw a dip last year. In this connection capacity enhancement of major and non-major ports is to be done. DFCC will be introduced in the year 2019 due to which Pipava, Hazira and rest of the ports in Gujarat which are connected by pipeline their connectivity would be enhanced so that DFCC would also get enough cargo.

106. In this connection, CMD, CONCOR interalia submitted that in Pipava double stacking was taking place. Every month more than 100 trains were being double tracked between Pipava, Mundra and Rewari. In rest of the routes where 90 containers ply, already 180 were plying and after DFCC is being donethe number would increase to 400 per train. There is no problem now in Pipava but DFCC with Pipava would become a feeder router which would strengthen it further.

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PART-II

OBSERVATIONS & RECOMMENDATIONS

1. *Introduction*: The Committee note that the world trade has grown tremendously in last few decades and India is one of the fastest growing markets today. To sustain the current pace of growth and to keep up with other markets in a highly competitive global market it is imperative to ensure smooth movement and clearance of goods across border within shortest time and minimum associated costs. The Committee observe that trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency while safeguarding legitimate regulatory objectives. The Committee note that poor facilitation increases compliance/ transaction costs which have been estimated to around Rs. 100,000 crore a year. Effective trade facilitation measures are crucial for India to maintain its current pace of growth and, therefore, adequate regulatory framework, policy implementation, operational issues and internal controls are of paramount importance. However, the C&AG Audit revealed complex and arduous documentation process leading to inordinate delays in the various stages of export and import clearances, delays in allotment of berths by port authorities and bottlenecks in reduction of transaction costs. It was also found that delays in import clearances are of a higher order than in the case of export clearances. Audit also highlighted shortfalls like incomplete facilitation process mapping, weak target setting, inadequate monitoring mechanism, lack of infrastructure facilities, lack of feeder network facilities, non-coordination between stakeholders to improve trading infrastructure and non- existent electronic connectivity between all the regulatory agencies. The examination of the subject by the Committee brought out several shortcomings which have been dealt with in the succeeding paragraphs. The Committee noted that Import and Export trade facilitation has many stakeholders and therefore, called representatives of Ministry of Textiles, Department of Commerce, DGFT, Ministry of Shipping, Ministry of Road Transport and Highways, Railway Board, FIEO and FICCI.

The Committee note that trade facilitation gained currency with the agreement by the member countries including India at the Bali Ministerial conference of the World Trade Organisation (WTO) members in December 2013 in culmination of the discussion initiated in WTO Singapore Ministerial Conference in December 1996. The WTO Trade Facilitation Agreement came into force with effect from 21 February 2017 when two thirds of the member countries ratified the pact. The TFA has effectively created binding commitments on the members including India to facilitate customs and other border procedures , faster release and clearance of goods, border agency cooperation between members with special and differential treatment for developing country members and least-developed countries (LDCs) in terms of staging of implementation, but eventually all members have to implement the same commitments. Members have undertaken three categories of commitments viz., category A, B, C. India notified its Category 'A commitments in March 2016 which became enforceable on the date of the TFA coming into force. Category B commitments were notified by India in January, 2017 which include all provisions contained in Section I of the Agreement, except those designated under Category A and the dates for implementation of Category B commitments is five years from the date of entry into force of the Agreement i.e. by February 2022.

The Committee further note that Category A commitments which are now binding on India include provisions specified by India falling under twelve articles of Section-I of TFA relating to publication and availability of information, opportunity to comment, information before entry into force, and consultations; advance rulings; procedures for appeal or review, other measures to enhance impartiality, non-discrimination and transparency; disciplines on fees and charges imposed on or in connection with importation and exportation and penalties; release and clearance of goods; border agency cooperation; movement of goods intended for import under customs control; formalities connected with importation, exportation and transit; freedom of transit; customs cooperation. The

remaining provisions are to be implemented within five years. The Committee further note that though, the TFA gives flexibility to the member countries to implement the provisions at their own pace, ultimately the agreement is binding on all the member countries and can be challenged under WTO dispute settlement mechanism. The Committee are of the view that meticulous and impartial implementation of all the provisions of the TFA by all the members would boost world trade hugely. The Committee hope that Government has implemented all the Category A commitments notified in March, 2016 fully and are geared up for implementing the Category B commitments within 5 years.

The Committee note that the Organisation for Economic Co-operation and Development (OECD) quantitative analysis for the group of lower-middle income countries, which includes India, shows that the areas with the greatest impact on increasing bilateral trade flows and lowering trade costs are: formalities (documents, procedures, automation), governance and impartiality, information availability. The indicators involvement of the trade community, advance rulings and appeal procedures also have a significant impact on trade flows. These indicators have a strong impact at the manufacturing trade level as well. The Committee find that India has categorized many of the provisions related to the above indicators under Category B which include publication of applied rates of duties and taxes of any kind imposed on or in connection with importation or exportation; availability of contact information on its enquiry point(s) on internet; issuance of an advance ruling in a reasonable, time-bound manner to the applicant that has submitted a written request containing all necessary information; ensuring that, in a case where the decision on appeal or review is not given either within set periods as specified in its laws or regulations or without undue delay the petitioner has the right to either further appeal to or further review by the administrative authority or the judicial authority or any other recourse to the judicial authority. The Committee are of the view that the above will require administrative, legal, procedural changes and cooperation from all the stakeholders and , therefore, the Government should bring out a comprehensive

policy with defined milestones for trade facilitation, urgently, to adhere to the binding commitments and the timelines.

2. *Impact of Trade Facilitation measures*: The Committee highlight the fact that world trade is around 40 trillion dollars, out of which India contributes around one trillion dollar but the Strategic Plan of Department of Commerce (DoC) estimates a huge impact on the transaction cost due to poor facilitation. In this connection, it was observed that the impact as a result of the measures taken as specified in documents furnished by the Department is not reflected in the "Doing Business Report 2016" under the category 'Cost to Documentary Compliance in both Imports and Exports'. The Committee desire to know if DoC/DGFT have carried out any analysis of impact of these measures for improvement in trade facilitation and reduction in transaction cost. The Committee wish to be apprised of the mechanism adopted by the Department to monitor the time limits specified in the Strategic Plan. Further, the Committee note that despite constitution of committees and task forces by DoC in 2005, 2009 and 2013 concomitant with the Foreign Trade Policies (FTP) to address the issue of high transaction cost in India and to suggest measures to reduce transaction cost and time impacting the Country's Foreign Trade transactions, the outcomes have not yielded desired returns. A task force on 'Transaction Costs in Exports' was constituted in 2009 by Ministry of Commerce (MoC) to look into various issues affecting the competitiveness of Indian exports and to initiate a set of executable remedial measures towards reducing the costs associated with trading across borders. The committee had made 44 recommendations pertaining to seven ministries, out of which 33 recommendations were agreed upon. The Second Task force on 'Reduction in Transaction Costs in Exports' was constituted in 2013 to examine and identify difficulties that the exporters face and make actionable recommendation to reduce or eliminate them. The committee made 46 recommendations pertaining to nine ministries and 7 separate recommendations relating to Land Border crossing and other miscellaneous issues. The Committee note that the recommendations were yet to be

implemented by the related departments fully and wish that the DoC/DGFT may take up with other Ministries/ Departments for urgently implementing the recommendations. The Committee are of the considered view that there is a good scope to improve efficiency by streamlining procedures and feel that the Country's performance needs improvement in the indicators of trade infrastructure efficiency. Further, they note that in overall logistic performance index, although India's score has improved over time, it is a continuous exercise. The Committee desire that a DoC/ DGFT may carry out an analysis of the impact of the measures taken by it for trade facilitation, take stringent steps against those who have not adhered to the timelines and prepare a plan for trade facilitation for next five years for reducing transaction costs further. The Committee desire that the compliance costs of the measures initiated by the Government may also be calculated to assess the costs vis-à-vis the benefits.

3. *Governance, Risk and Compliance*: The Committee observed specific cases of lapses in implementation of trade facilitation measures in the process of imports, exports, interpretation of extant provisions, internal control and infrastructure etc. both in EDI and manual environment and are of the considered view that an assurance framework needs to be developed internally for concurrent audit of various information systems in DoC/DoR so that a holistic database can be developed on the basis of specific rectifications/ improvements. The Committee also desire that a comprehensive audit of the implementation of the all trade facilitation measures taken by the Government of India may be undertaken.

4. *Key Performance Indicators*: The Committee note with appreciation that there was downtrend in dwell time, decreasing from 13.94 days during 2010-11 to 10.95 days during 2013-14 and feel that this could be further improved by implementing the trade facilitation measures initiated by CBEC more effectively. They also note that almost 65 per cent of the total time taken in imports is attributed to the filing of the BEs and payment of duty while in exports

filing of the EGM constituted nearly 90 per cent of the total time taken. The Committee also note 22 per cent of the IGMs were found to contain errors which required corrections. Also, a major anomaly is non-declaration of the destination port which is almost 50 per cent of the IGMs filed at major sea/air ports. The Committee observe that there were delays in allotment of berths by Port Authorities, in clearing the goods by the importers at Ports, in rectification of errors in Import General Manifests (IGM), in filing of BEs by the Importers, non mandatory filing of BEs through ICEGATE, manual registration of licenses with the Custom houses and in furnishing reply to the queries raised by the department, examination by other Agencies, payment of duty/refund and or drawback, in filing of Export General Manifests (EGM) and rectification of errors etc. The Committee are of the considered view that efficiency at the ports need to be improved by updating ICEGATE to minimize breakdowns, making e-filing of BEs and EGMs mandatory, full use of 24x7 facility, pre-clearance of consignments by Custom authorities, opening running accounts of registered traders, making ACP/AEO schemes user friendly and rectification of errors easier. The Committee feel that permitting minor amendments in IGM by the shipping line/shipping agents online instead of going to the service centre may reduce the dwell time and if the need be provide for amendments to the Customs Act, 1962 for their suitability in smooth handling of cargo at ports for faster facilitation. The Committee also feel that the Department may consider easing the procedures to help importers by launching a Mobile App for filing error free IGM/BE/EGM/SB, uploading scanned documents, allowing rectification of minor errors, adjustment of excess duty paid due to short landing etc. by opening a wallet.

5. *Delay in Clearing the Goods by the Importers at Ports:* The Committee note with apprehension that in JNPT, Mumbai and ACC, Chennai, nearly 40 per cent of the goods were cleared by the importers beyond the free period of three days during 2010-11 to 2013-14 adding to the cost of goods as demurrage charges on the imports. The Committee while opining that any delay on the part of the importers in clearing the goods should be dealt with by imposing penalties

are of the view that time frames be prescribed for clearing the goods by the various authorities(Customs, FSSAI, Textiles Committee, plant/ animal quarantine, Drug Controller, Wildlife Control Bureau etc.) and any procedural delays be only condoned by senior most officers.

6. *Delay in Filing of BEs by Importers*: The Committee observe that though a facility for prior filing of BEs is available for faster clearance of goods, the same was not being optimally utilized for various reasons such as delay in obtaining the necessary documents from Steamer Agents, Suppliers etc., incorrect documentation, insufficient funds and errors in the filing of IGMs. The Committee note that only 25 per cent of BEs are being filed within 24 hours whereas 50 per cent of the BEs are being filed only after three days of the filing of the manifest. Moreover, BEs filed prior to the entry of the vessel was low at 14 per cent and note that presently cancellation of a bill of entry filed in advance required the importer to file a refund claim in respect of the duty paid. The Committee are of the view that as recommended by them in preceding paragraphs the excess duty paid under the first bill of entry towards the duty payable may be credited to the running account/ wallet which may be adjusted on the successive consignments to encourage the importers to file the Bill of Entry in advance. Also, importers filing advance bill of entry are at a disadvantage as interest on any enhanced duty due to procedural irregularities detected subsequently is calculated after two days from the original date of assessment. The Committee while opining that interest should be calculated from the date of deposit of the enhanced duty paid due to procedural irregularities desire that such credit should be given in the running account.

7. *Examination of Imported goods by Customs*: As per Audit, the examination of goods exceeding 24 hours was in the range of 22 per cent. The examination of goods after payment of duty showed an increasing trend in certain sea/air ports. However, in Mumbai, though the examination of goods over

24 hours showed a decreasing trend from nearly 93 per cent in 2010-11 to 73 per cent in 2013-14, the percentage of delay in examination was still very high when compared to the average. The Committee observe that the main reasons for the delay occurred due to shortage of Examiners/Preventive Officers and non-availability of Mobile Gamma Ray Container scanners. Further, due to shortage of manpower ,the 24X7 facility introduced by the CBEC has also not been very successful. Also, the Ministry requires more officers for making another facility viz. factory stuffing attractive. The Committee further observe that with the coming into force of the TFA, the Ministry needs more officers to fulfill its commitments e.g. those manning the enquiry points. The Committee desire that the Government take steps such as cadre review and creation of vacancies and immediate recruitments to augment the operational requirements of the Customs at air/sea ports, procurement of Mobile Gamma Ray Container scanners and other state of the art technology so as to help in coordinating fast clearances of consignments and facilitate trade. The Committee also desire that regular training of customs officers and orientation programmes for officers who have been posted from other wings may also be conducted.

8. *Other Factors affecting facilitation*: The Committee are dismayed to note that lack of infrastructure facilities like port to road connectivity, rail infrastructure to move containers to ICDs and non-coordination between all the relevant stake holders for improving the infrastructure are adversely affecting the trade facilitation measures initiated by the Government . The Committee while acknowledging that the National Committee on Trade Facilitation (NCTF) has been constituted with representatives from various Ministries/ Departments desire that duplication of efforts should be looked into by the NCTF and the procedures should be streamlined with no repetitions. The Committee are of the strong opinion that integration of all procedures and coordination between all involved should be ensured by the NCTF. The Committee further note that the 24X7 facility requires that the staff of all the agencies involved are also available

round the clock. The Committee desire that the issue of providing officers of all agencies involved be also taken up by the NCTF. The Committee also desire that the NCTF take up the issues relating to the courier industry which provides solution to quick movement needs of the e-commerce and bring out comprehensive guidelines for immediate release of consignments by the customs. The Committee are dismayed to note the lackadaisical approach of Department of Commerce and Ministry of Textiles in initiating/ implementing trade facilitation measures. The Committee desire the Cabinet Secretary to convene meetings of the various Ministries/ Departments regularly besides the meetings of the NCTF to monitor their progress and contribution. The Committee also desire that the Ministries/ Departments/ Agencies involved be pro-active in their approach and put forward all their problems, suggestions in the meetings of the NCTF and ensure their follow-up. The Committee desire that the minutes of the meetings of the NCTF be furnished to the Committee for perusal.

The Committee while noting that the Single Window Interface for Facilitating Trade has been implemented by the CBEC hope that the all the stakeholders will work in tandem so that all approvals and clearances are given online without any manual interventions. The Committee also desire that timeframes may be prescribed for all the agencies within which the approvals are to be mandatorily given. The Committee are of the view that an integrated RMS is essential for all the agencies also to accord approval within a given timeframe. The Committee while noting that printouts of the online submissions still need to be presented at the ports are of the view that all ports be instructed to accept submissions on-line. The Committee also desire to be apprised whether the CBEC has installed a feedback mechanism on the operations through SWIFT and the action taken on the feedback received. The Committee also desire that to minimize inconvenience to the traders and to reduce transaction costs the software should be adaptable to modifications needed due to any amendments in the provisions or any feedback received. The Committee while noting that the intimation of any amendments/ changes to the Act/ Rules/ Procedures/ Duties reaches the ports after a huge delay desire that the notifications may be

intimated to all the ports on real time basis. The Committee also feel that Customs and Excise portals be also integrated for factory stuffing permissions, adjusting duties etc.

The Committee while noting that the Directorate of Revenue Intelligence (DRI) mandated to deal with the work relating to the collection and study of information on smuggling activities and the deployment of all anti-smuggling resources at the all India level under the Central Board of Excise and Customs are of the view that DRI is also a trade facilitator as initiating measures to prevent illegal trade eventually facilitates trade. The Committee are, therefore, of the view that fool-proof procedures be evolved to enhance efficiency of intelligence gathering and application along with a uniform investigation protocol. The Committee are of the view that the DRI should make use of the latest technology and scientific methods for detentions/ seizures.

Further, with manifold increase in trading across borders, the Committee observe that the number of disputes and litigations are also set to rise. The Committee are of the view that the Ministry should have a robust mechanism for settlement of disputes to minimize litigations. The Committee opine that the Ministry may think of a separate trade dispute resolution mechanism for expediting the settlement of trade disputes in a time bound manner.

The Committee note that the lack of last mile connectivity has adversely affected India's trade facilitation efforts and the projects facing delay include the Chennai-Ennore port connectivity project, and the elevated four-lane link road from Chennai to Maduravoyal. Other issues hampering logistics include lack of rail infrastructure to move containers to inland container depots (for reasons such as line congestion, limitations in loading of containers), and lack of feeder network at the international container transshipment terminal. The Committee are also dismayed to note the lack of transparency and reasonableness in the various charges levied by the shipping lines and their agents in export-import (EXIM) trade.

The Committee while noting that Sagar Mala project is a initiative to modernize the existing Ports into modern world class Ports and integrate the development of the Ports, the Industrial clusters and hinterland and efficient evacuation systems through road, rail, inland and coastal waterways resulting in Ports becoming the drivers of economic activity in coastal areas are of the opinion that all related projects should be time bound and since most of the projects under the project are to be based on PPP mode, the interests of the Government should be secured. The Committee hope that timely execution of the Sagar Mala project will improve logistical efficiency, thereby reducing transaction costs.

The Committee are of the considered opinion that freight and other charges across all the modes of transport should be rationalized to reduce transaction costs. The Committee observe that shipping lines collect terminal handling charges of the port authority which is much higher than the actual charges of the port authorities. Also, the Committee understand that these shipping lines impose arbitrary freight charges making exports unviable in some cases. The Committee are of the view that a regulator may be appointed for controlling operations of shipping lines. Similarly, the Committee opine that Railway freight charges should also not be increased to subsidize other segments as these hikes make Indian products non-competitive in the world market. Further, the Committee desire effective measures may be taken urgently for easing of congestion, improvements in loading capacity and availability of feeder networks.

The Committee while noting from the submission of Ministry of Textiles that only in 12 locations they have got single sign up facility, VPN has been given in nine locations and issuing receipts of samples through the system has started in four locations desire that the whole process be made on-line at all the locations at the earliest.

In view of the delays in executing Chennai-Ennore Port Connectivity Project and Four Lane Elevated Link Road from Chennai to Maduravoyal due to

differences with the State Government of Tamil Nadu, the Committee are of the considered opinion that an agreement/ MoU with State Government be invariably made before taking up such projects to avoid disputes at later stages.

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NEW DELHI;
24 April, 2017
04 Vaisakha, 1939 (*Saka*)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee